# NATION'S BUSINESS




PRIL • 1933 I Found Iowa Broke but Brave • Muscle Shoals—Why ot Scrap It? • What's Going On in Washington?

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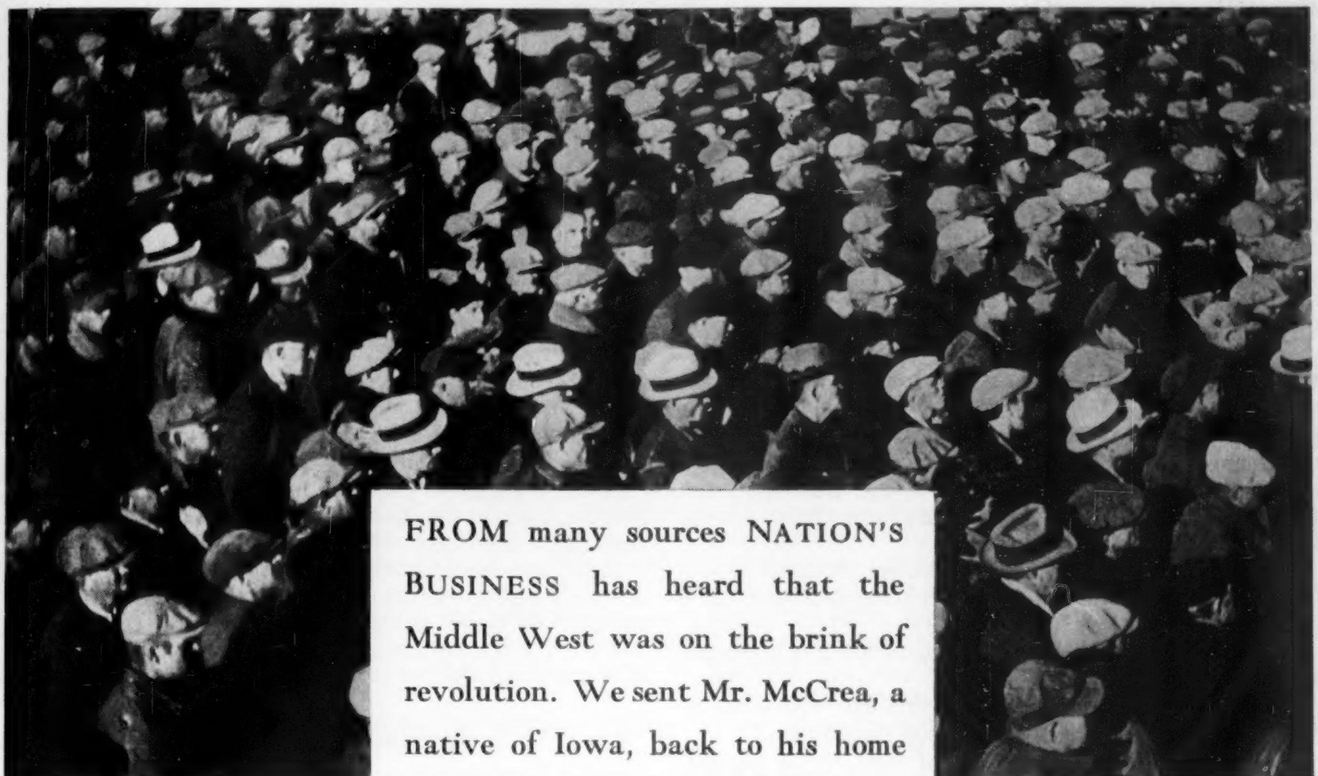
# I Found No Revolution in Iowa

By PAUL McCREA



DES MOINES REGISTER NEWS BUREAU

**Iowa farmers gathered to form plans for arbitrating problems growing out of farm mortgages**

FROM many sources NATION'S BUSINESS has heard that the Middle West was on the brink of revolution. We sent Mr. McCrea, a native of Iowa, back to his home town to talk to the people he knew and to find out what they were thinking. This is his report on Iowa's state of mind as he saw it

I HAVE been in Iowa looking for the farm revolt. I didn't find it. But I did find the depression. I could see it in the deserted streets of towns that were once busy; in the depleted stocks of idle stores; in farm yards where grain was stacked like hay because the market price did not justify the two cents a bushel threshing charge.

I could feel it in the air like an actual presence weighing on the spirit of the people. I could see it in their faces and hear it in their voices. This impression is not the result of words or actions. Life goes on. People are doing normal things in normal ways. They go to parties and basketball games. Farmers drive to town on Saturday nights. Stores are open and make a gesture of doing business. There is little hopelessness or despair.

"We can hoe our own row in Iowa," they told me. I think they meant it. They are long past making optimistic statements merely because they look well in print.

I was sent to Iowa to find out as well as might be in a short time what the people were thinking. Letters from worried observers declared that the Iowa farmer was edging dangerously toward revolution. Press reports told of mortgage foreclosures hastily called off because a mortgagee's agent found a noose dangling from a convenient tree. Tales came in of chattel mortgage sales where valuable property was knocked down for a few cents and those who would have bid more were escorted from the crowd and advised not to return.

I was sent to find out what these things implied. I had some qualifications for the task. Ten years ago I was working on an Iowa newspaper. I had lived in the state 25 years. I know many Iowa people and I know the state, at least geographically.

I did not go from place to place sampling opinion. Instead I returned to Boone, my home town. The place seemed unreal. I stood on a main downtown corner at nine o'clock in the morning of a business day, once a busy time. I could see one parked automobile. A pedestrian or two moved along the sidewalk. I walked toward the center of town looking in the stores. There were no customers. I passed an empty room

which, as long as I could remember, had been occupied by the same firm. The business had moved to a side street, I learned later, because rents have not come down in line with other things. But no one blames the landlords. Taxes are not yet in line, either.

I chose Boone because I believed it to be representative. Forty miles north of Des Moines, it sits in the heart of a rich farming area. The county seat, it has, by the 1930 census, something more than 11,000 people. To the east of town are the division shops of the Chicago & Northwestern Railroad which once put a $200,000 pay roll in circulation in Boone every month. Nearer the center of town are the shops of the Fort Dodge, Des Moines & Southern, smaller but important. To the west are coal mines which once employed some 600 men.

So the opinions of the Iowa farmer and Iowa labor come to a focus in Boone County. In reporting the temper of the people there, I believe I am reporting the temper of the state. I may err in this.

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**Those who picketed the roads in the Farm Holiday movement weren't radicals. "Just ordinary fellows"**

### Radicals are few

"IF you are looking for radicals," they told me, "Go to Hamilton County. They're wild-eyed up there."

Or they told me of a tenant farmer, unable to pay his rent, who had declared, "If Roosevelt doesn't do something to help the farmer it will be just too bad." No one explained what was meant by this promise although I was told that similar utterances were common. Since nobody made them to me, however, I am forced to believe that the Iowa revolutionary exists always just across the county line.

I could not find him and selfish motives urged me to seek him diligently. This would be a more exciting story could I have found him.

Instead I found a willingness to cooperate and a genuine sympathy for the other fellow.

It was a professional man who told me, "No class of people ever worked harder for less than the farmers."

It was a railroad shopman, out of work for 18 months, who said, "The merchants have been too good to us. They gave everybody credit, now their money is tied up in debts they can't collect."

I heard from several sources the suggestion that the way out of the depression is to fix farm prices but the first man to make it was a coal miner.

Everywhere I heard stories that showed a willingness to play fair and do what was right. A man who manages farm properties totalling some 6,000 acres told me many of them. He told of a tenant farmer who for years paid $12 an acre rent on his farm. Usually he brought the money in before it was due. This year he didn't bring it. The manager went to see him.

"I can't pay it," the farmer said, "I haven't got it and I can't sell anything to get it. There's my crop. Here's my machinery. There's my stock. It's all yours. You can sell me out if you want to and I won't make any trouble."

"I didn't sell him out," the manager said. "I know, if he ever gets the money, he'll pay. He's honest. In the meantime, he'll keep the place up."

Such incidents get little publicity. Instead we read of foreclosure sales which have been stopped by embattled farmers marching on the court house. There have been no such incidents in Boone County. There have been, I judge, comparatively few of them anywhere because I was told of case after case where mortgages were foreclosed without trouble. The farmer, if I read him right, has no disposition to beat anybody out of anything he is entitled to. He does object to the workings of a state law which permits the mortgage holder to take a deficiency judgment against property not covered by the mortgage.

If you hold a $30,000 mortgage on a farmer's land and he has $3,000 worth of other property, the law permits you to foreclose the mortgage for $27,000 and take a judgment against his other property. Where mortgage demonstrations have occurred they have been, for the most part, protests against this deficiency judgment. While I was in Boone, Story County, to the east, had such a demonstration. Several Boone County farmers took part. Afterwards I attended a meeting of the United Farmers of Boone County 12 miles northeast of town.

The United Farmers is one of several organizations which have sprung up in Iowa recently. Although its program now covers many urgent farm problems, it was formed originally to stop foreclosures.

The meeting was held in a one-room country school house. Some hundred and fifty men and a woman or two crowded their knees under the inadequate school desks, sat on window sills, on the floor beneath the blackboard and squeezed into available standing room. Kerosene lamps on the walls and on the teacher's table shone down on faded overalls, shapeless sweaters and work-soiled overcoats. Heavy overshoes scuffed on the rough board floor.

It was a grim and sober meeting. These folks were neighbors and yet, as the door opened to admit each newcomer, there were no cheery hails of greeting, no back-slapping recognition. It was a silence of apathy rather than unfriendliness. They gave the impression of men tired from the long carrying of heavy burdens—and they have carried their burdens a long time. Iowa's depression did not begin in 1929. It started with the collapse of farm land values in 1920.

### Against the big bankers

THE speaker was Lars Skromme, former state senator and, in 1928, a candidate for nomination for governor. He owned the farm on which, that afternoon, foreclosure had been "indefinitely postponed." He began his talk with an assault on the international bankers. I heard many attacks on those bankers and on "Wall Street" before I left the state. The farmers feel that manipulation of the currency and speculation have been a chief cause of unnaturally low food prices. Mr. Skromme blamed the manipulation of money on the Federal Reserve Board and spoke at length of the effect upon the farmer.

"When mortgage contracts were made in 1919 and 20," he said, "corn sold for a dollar a bushel. Both parties to the contract had this price in mind. The farmer who borrowed $5,000 could pay it back with 5,000 bushels of corn. Now, when money is dear, he has to pay back 40,000 or 50,000 bushels."

He spoke for inflation as a means of raising prices.

Although whispers around me indicated agreement with these views, there was no applause. Only when he began to discuss what had happened that day in Story County did he arouse enthusiasm. His appeal for united action to save farm homes brought a ready response.

It is difficult to understand what happened in Story County because actually nothing happened. The Federal Land Bank held a mortgage on the Skromme farm. The mortgage wasn't

paid and the district court granted an execution for the sale of the farm. The logical continuation was for the sale to be held, an agent for the bank to bid in the property and the bank take over the farm.

A date for the sale was set but, when the hour arrived, the court house was thronged with farmers. The sale was postponed three days to the afternoon before the meeting which I attended.

A newspaper account from Story County tells what happened then:

A crowd of more than a thousand people—larger even than the one gathered here Tuesday for the foreclosure sale halting demonstration—many of them members of the United Farmers of Story County, was on hand at the court house this afternoon when the hour arrived for the postponed sale of the Skromme lands under execution from the district court.

The corridor of the court house was packed and the front steps and all approaches to that part of the building were overflowing with a surging mass of people as Mr. Skromme, owner of the land under execution as well as county head of the organization, exorted the people to action in enforcing their rights and attempting to save their own homes as well as those of the neighbor.

As Mr. Skromme explained at the meeting:

"There was no disorder, there was no hard feeling, there wasn't a harsh word spoken."

Nobody intimated what might have happened had the sale gone on. Perhaps no one knew. Certainly men in that stuffy school room lacked neither courage nor strength to carry out their purpose. But their purpose was not to smash anything. Their purpose was to defend their homes. They made no threats. They threw down no challenges. They had met the immediate need and stood ready to meet it again.

It is unlikely they will have to because a new state law provides that no mortgages shall be foreclosed for two years. The execution for the Skromme sale was signed before this law went into effect.

The foreclosure moratorium was one of the first acts of the new Iowa legislature. Preceding it, Clyde Herring, new Democratic Governor, had issued an emergency proclamation urging people holding mortgages not to foreclose. This proclamation had only a moral force, of course, but it did exert that. An attorney told me that he had one foreclosure decree prepared and signed. When the Governor's proclamation was made public the insurance company which held the mortgage notified him to drop the action.

Then the legislature acted and the law was put in effect immediately. It will stop foreclosures, even by out of state corporations or individuals because foreclosure executions must be signed by Iowa courts.

It provides, however, that the mortgagor must pay a reasonable rent for the property.

Many people question whether the law would stand if attacked in court, but, I gathered, the temper of attorneys and others is such that the two year period will be well over before a judicial decision is reached.

## Farm credit may be ruined

ATTORNEYS and bankers see a danger in this law. They point out that this moratorium and the chattel mortgage sales where friends bid in a debtor's property for a few cents are going to make insurance companies and others, once a market for Iowa mortgages, wary in the future. They believe these things will ruin Iowa farm credit.

I mentioned this danger to a wise old farmer. He spread a pair of big, work-worn hands.

"You can't ruin what you haven't got," he said.

I talked to this farmer a long time. Once he was regarded as wealthy. He owns 400 acres of land, 200 of it unmortgaged. Not long ago that land would have brought $300 an acre. A nearby farm sold recently for $50 an acre.

He wore overalls, faded but clean, and, in the business place where I met him, he paid a dollar on account and hoped he could pay the rest sometime.

In his pocket was the morning newspaper and he had read it thoroughly. Every Iowan reads his newspaper thoroughly, especially the politics. Most of those I talked to were better informed on current events than I was. They know the war debt situation and they want those debts paid. The fact that Hoover did not insist on payment cost him much popularity and lack of popularity rather than democratic strength lost him the state last November.

Their view of the debts is this:

"We have to pay our bills, why shouldn't they?"

Or the inverse:

"They don't pay their bills, so why should we?"

They are bitter at France for refusing to pay when she had money to lend to Austria.

They know the Allotment Plan and Equalization, but prefer the former, mostly, as far as I could gather, because it is a change and anything should be better than what they have. Among those I talked to, the Farm Board had no friends and

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**It is suggested that chattel mortgage sales, such as this, where friends bid in property for a few cents may ruin Iowa's credit. "You can't ruin what you haven't got," a farmer said**

only one apologist. "When the Federal Reserve Board or the Reconstruction Finance Corporation or the Interstate Commerce Commission or anything that is formed to help business makes mistakes we don't hear much about it," he said, "but when the Farm Board made mistakes, we heard a terrible howl."

### They want inflation

THEY know about inflation and they want it.

"Give Roosevelt a little machine and let him make more money," was the way this farmer put it.

He knew nothing about the technicalities, he said, but he did know he couldn't sell anything and he couldn't get any money from the banks. He thought the banks had money but wouldn't lend it. A banker intimated that he was partly right.

"If you brought in a Government bond as security," he told me, "I could lend you money."

He said it with a gesture which seemed to ask, "What else is there?"

Boone banks had a scare last July. All of them closed and they asked their depositors to sign waivers agreeing to make no withdrawals for three years. Most of them signed.

When I was there the banks were open and receiving deposits. These are handled entirely separately from the old. I found little local resentment against this procedure and a state law now permits and simplifies a similar course. Under this law, banks which are hard pressed come under the direction of the State Superintendent of Banking for one year. He keeps them open, the original staff remains in charge, but old deposits cannot be withdrawn although new deposits may be made and checks drawn against them.

This practice saves the expense of receivership and gives the bank a chance for life with the hope that, when the emergency period is ended, conditions will have improved and frozen securities be thawed out. Again it is a case of meeting the immediate need.

In the meantime, a great deal of money is frozen. People can't get it and they can't spend it. Whether or not con-

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# Lifting Ourselves by Our Bootstraps

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**SOME sober thoughts on the possibilities of "controlled inflation" as a means of aiding debtors, raising prices and ending the credit crisis; together with some comment on legislative tendencies as revealed by recent events**

IN every depression, one of the popular pastimes is hunting for a bootstrap. A good many Americans are convinced that they have found one in inflation. It is sometimes called "reflation" but it remains inflation still, and inflation is defined as "the expanding of the volume of money and credit more rapidly than is needed by business."

Various methods have been urged upon Congress for bringing this expansion about. Some would pay the bonus by printing billions of new money; others would refinance farm mortgages or remonetize silver. Still others would rush to jack up commodity prices by manipulating credit and note issues or change the gold content of the dollar; or issue billions in notes to finance public works.

All of these proposals emphasize that the resulting inflation is to be "controlled." We shall go just so far and not farther. We shall stop blowing up the balloon just before it bursts.

"What a delusion!" exclaimed a man who was in Europe when currencies were tumbling. "What do you mean by 'control'? No nation ever set out deliberately to destroy its currency. The idea always has been to inflate a little and then stop. But no two people agree on when the exact moment for stopping has arrived."

The essence of "controlled inflation" is self-discipline and strong central control. No two qualities are more conspicuously lacking in the American temperament and political set-up. Recent legislative history conclusively demonstrates their absence.

When the depression hit, there came the problem of balancing the national budget. If we should permit a small deficit, it might help. It was solemnly decided to risk a deficit of perhaps $150,000,000 in the 1931 fiscal year. That breached the dike. If $150,000,000, why not $500,000,000? The actual result was a deficit of $902,000,000. But that was no deterrent; we had become used to deficits. At the end of the 1932 fiscal year, the Treasury was $2,800,000,000 in the red. Was that the point at which to stop?

### No one to balance the budget

APPARENTLY not, for there was no sense of discipline to make Congress leave the molasses jar, no central control to say "No!" and make it stick. The only action was a half-hearted gesture of a revenue act, with full knowledge that the 1933 deficit might reach new heights. That is the history of a "controlled deficit."

Fifteen months ago, the credit crisis came sharply into view. No one liked the idea of turning federal credit to private uses but the plan was so hedged about with safeguards that doubts were overborne. The Reconstruction Finance Corporation would lend only on "full and adequate security." Such strict control would prevent excesses.

But the original scheme did not achieve the desired result. The emergency required stronger measures. Before the end of the session at which the R.F.C. Act first was passed, the same Congress let down the bars. "Self-liquidating projects" and relief "loans" to states were let in. By that time not much was being said about "full and adequate security."

It was only a matter of weeks until the clamor started for successive steps: more R.F.C. loans to agriculture, more credit for home mortgage borrowers, more liberal lending policies toward financial institutions. If those things were defensible, why not equal generosity in the form of more relief "loans" to states; advances to cities to finance delinquent taxes that they might be spared the rigors of economizing; loans to distressed school districts? That is the history of "self-discipline" in the control of federal credit.

So it has been for a long time. In 1916 the urge was for the creation of carefully controlled mortgage credits for farmers. That brought the federal land banks into being. No finer example of the gradual transition from one expedient to the next and slightly stronger ex-

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# What's Ahead in Washington

## W. M. KIPLINGER *Writes about the Outlook*

**Dear Mac:**

TO GET down to brass tacks at once, let me tell you that I don't know what's ahead in Washington. I don't know *precisely*. If I know *what*, I don't know *when*—precisely. To foresee clearly is harder now than ever before. Not since War Time have things been so chaotic.

On many issues the ultimate outcome is more easily ascertainable than the immediate route to be taken. On issues of this sort it is overwhelming force of circumstances which will determine, rather than the political ideas prevailing in Washington. But the *route* will be dictated by the political ideas.

### Banking Reorganization

BEFORE looking ahead at banking, look back. For two generations banking has been a growing business, and a relatively easy business. It was easy to organize banks, and easy to make money out of them, or out of their collateral activities. Only in the past five or six years has the pressure of economic circumstances been applied to banks—first to the small country institutions, then to the big city banks. It has been perfectly apparent that this country had more banks than it could support, that at least half of them eventually would have to go out of business, or merge, or become branches of larger banks. In the past ten years we have gotten rid of about a third of our banks. We are now on the point of getting rid of a lot more.

Until the past couple of months most people thought that we could take several years for the weeding out process. Now the sudden collapse of banking mechanism opens the way for immediate action to retain the good, strong banks, both large and small, and to eliminate the others. This is about to happen.

Shortly there will be numerous mergers of banking institutions within cities. Shortly thereafter there will be an extension of branch banking beyond city limits and beyond state lines. I do not know how far branch banking will go, or how fast.

There will be separation of the different kinds of banking —commercial banking, "safety banking," savings banking, trust business and security merchandising. Five years ago many authorities thought that a bank should be a financial "department store," providing all kinds of banking service for its customers. Now it is discovered that the various functions require such different training, different minds, different attitudes, that they cannot be entrusted to any single institution or single set of minds.

Group or chain banking will be quickly abolished. It has never been anything except a stepping stone to branch banking.

It is commercial banking which will take on the branch form.

Closer, tighter government supervision may be expected. Public banking supervisors cannot provide the judgment necessary to the business of making good loans or good investments, but they can provide the check, and they will have power to enforce their findings, which is something they never had before. They will be enabled to remove officers or directors who are obviously acting improperly.

A single unified national banking system will soon be with us. The multitudinous systems of state and national banks will soon be a thing of the past. The necessity for this has been talked for years, but it never quite came home to the public until recently when it was discovered that checks are our principal form of money, and that checks, therefore, should be backed by rigorous uniform national standards of bank conduct.

The Federal Reserve System will be the national stem on which the new uniform banking system will be grafted. For a while there will be some banks which will stay out of the System, but these cannot long survive.

The state banking supervision systems of a majority of states has been rotten for years, and everyone in-the-know knew it. Not more than ten of the states were notable exceptions. In some states the superintendent of banks was a political figure, chosen for his implied promise of leniency to favored institutions who had a "stand in." The situation is not going to be remedied overnight, but within the year we shall be well on the way.

### Depositor Losses

FOR a long while now it has been impossible, or inexpedient, to tell the truth about prospective losses to depositors. There were two reasons for this:

First, it was barely possible that business revival, or inflation, or something else, would rescue thousands of banks which were technically insolvent, but still open, still receiving depositors' money, still being "examined" by public examiners. No one could know *surely* that the hope would not materialize.

Second, anyone who told the truth about bank insolvency with a sufficiently loud voice would have precipitated the crash which came a month ago, and would have gone down in history as the *cause* of it. The hero who told the truth would have needed an asbestos skin.

But now the truth may be told.

Banks, considered as a group, as a whole, do not have enough assets to meet their liabilities to depositors. They cannot, as a whole, pay all depositors at the present time even if they devote capital and surplus to the purpose, even if they assess stockholders under the double liability which attaches to bank stock.

This means, simply, that banks have made loans and investments which now turn out bad, and that depositors are holding the bag. The deficiency is estimated by some authorities as around 20 per cent, but by other authorities as higher.

But there are many good banks, plenty of good banks, to which this general statement will not apply in particular. They can and will pay out in full, or approximately in full. Within six months we the depositors, we the public, will know what these banks are. Gradually we will turn to them, away from the weak banks. The strong banks will survive and be our banks of the future.

There is no escape from ultimate heavy losses to depositors in the weak banks which are headed for elimination from the

picture. The losses will not be evenly spread around. Some of us depositors will fare better, some worse. All will depend on the care with which we originally chose our banks. It is not fair, but it is the law of circumstances. It is quite as inexorable as the law of circumstances under which we choose our parents and our inheritance of character.

Any possible insurance of deposits must apply to the future, not to the past. No life insurance ever was written on a dead man, and portions of the old deposits are practically dead men.

I do not stop to tell you the processes by which these things are to come about. You can get the facts from the newspapers. I seek merely to point out to you the broad implications in the new situation.

## Bank Lending

IT IS perfectly evident that the function of lending by banks has been curtailed tremendously by the crash. Banks for the present and for quite a while in the future will not be interested in lending vigorously. Efforts must be devoted mainly to liquidating. Little by little the lending function will be resumed.

This means inevitably that in the next six months government institutions must assume more and more the job of lending for purposes which will make a certain amount of employment. It is either this or chaos and revolution. I do not know precisely at this writing how it is to be done.

It is this I tried to impress on you in previous letters, when I talked about the movement to "socialize credit."

## Bank Profits

IT IS not quite an accepted conclusion, but it is almost so, that banking in the future will not be a highly profitable occupation. Profits are to be limited, not by Governmental fiat, but by ordinary circumstances. There will be stricter government regulation, fewer opportunities for cutting pieces of swag, no opportunities for loose financing of back-door security affiliates. Profits will be smaller, but perhaps steadier. There will be fewer salaried bank officers, many of whom heretofore have been superfluous. The mortality will be greatest among the small, weak banks which are destined to become branches or to merge.

In one sense, don't you see, banking is headed toward the status of a public utility, to be privately owned, privately managed, but as closely supervised as other public utilities are supposed to be. This is a somewhat loose statement, but is impressionistically accurate.

Some wise men think banking will rapidly become mutualized, as the life insurance business has so largely become. I don't know. I don't yet quite see the signs of it, but the predicted tendency is worth watching.

One danger, of course, is in the upsprouting of novel forms of private financial institutions designed to evade stricter banking laws.

## Nothing New

NOT a one of the preceding statements or ideas is new. All have been talked within inner circles of Washington for months—some of them for years. They emanate not from sentimental reformers or radicals, but from men who are earnestly trying to deal in a practical way with the mechanism of banking, to keep it from tearing itself to pieces, as it has so nearly done in the past.

Everyone who does any serious thinking, and who also is familiar with bankers, knows that the old bankers, as a class, must go. I don't mean "old school bankers," for the old school bankers who for years have been cussed for tightness, now show head and shoulders above the rest. I mean the bankers whose heyday has been in the decade since the war—these must go. Of course, we don't have any too many good bankers, but I believe we shall find enough of them—men in their thirties and forties—to keep things going during the transition period, and to rebuild with a new social idea.

## Inflation

WE ARE to have some sort of inflation, but no one yet knows of just what variety it will be. Inflation is one of the loose terms which we have developed recently to mean different things to different persons, and to discuss it accurately with due respect for all the nice distinctions requires a whole book. Let's cut it up into bits which can be chewed:

***More money.*** Certainly we shall have more money. We already have it, in scrip, in clearing house certificates, in new national currency. We shall have more of it—currency which is not secured by the same old proportions of gold. This, according to the text books, is a starting point for inflation.

But remember that money, as it applies in our business system, is not mainly the pieces of paper called currency. Money is mainly the pieces of paper called checks. The volume of checks has been curtailed far more than the volume of currency (including all the scrip and all the new notes) has been augmented. So, after all, our money has not been inflated as much as you might think. Remember this point in connection with all the new forms of currency which are coming along. Remember that much of the new money merely neutralizes the loss of the major circulating medium—checks.

***Prices.*** Furthermore, inflation, according to the popular conception, is not inflation until it causes prices to rise substantially. None of us, not even those of us who yell for inflation, really want inflation just for the sake of inflation. What is wanted is a boost of the price level to the debt level.

***Stretching of government credit.*** We have inflated government credit, and shall inflate it further. We are puffing up the Federal Reserve facilities, making the Reserve System an arm of the Government to a far greater extent than was originally contemplated, making it do the work which it did in the War and which ever since it has been trying to escape. But, in the emergency, what of it?

***Silver.*** Doubtless we shall have some more silver money, but it is hard to tell when. Perhaps it will come as a result of international agreement. True, the international situation has not been favorable to it, but there have been great changes within the past 30 days, and I do not believe anyone can see very clearly the changes in attitude toward silver which may come in the near future.

***Dollar devaluation.*** I do not think we shall cut the amount of gold in the dollar, despite the tremendous pressure for this course among the agrarians and the agrarian members of Congress. This is the particular form of inflation which is in most persons' minds, when they talk of inflation.

## Inflation vs. Deflation

THE one thing which many people overlook is that this country has gone far on the road of deflation.

We don't care, generally, what prices are or what debts and fixed charges are. We do care, however, when there is a lack of adjustment between prices and debts. Debt contracts are considered such sacred things that in the beginning of any period of depression the principal thought is devoted to maintaining them, and to raising prices, by hook or crook, to meet the debts. Along these lines we have been talking and thinking for the past year or more, talking in terms of "inflation."

But while we have been *talking*, look at the way we have been *acting:* Practically all of our *actions* have been along the line of *deflation*. First, we deflated stocks. Then city real estate. Then came the equivalent of moratoriums on farm mortgages. Now we have new machinery for adjusting mortgages downward, for farmers, for home owners. Now we also have new machinery for adjusting debts of individuals (including thousands of small merchants), by a substitute for

bankruptcy, without the stigma of bankruptcy. And we are headed toward radical downward adjustment of fixed charges of railroads, thorough reorganization of their financial structures. And, in one big smash, we have been precipitated into the biggest deflation of all—the writing down of bank assets, with bank depositors in the position of creditors who must take losses.

So, don't you see, the logic in our present course is much more on the side of a continuation of the forces of deflation than on the side of a violent and wild inflation.

I am talking in relative terms. I do not see how the political demand for some sort of inflation can be avoided. But I feel that it will be moderate. There's no way of being perfectly sure about this moderation, but there's fair reason for thinking it will be so.

## Selectivity in Deflation

THERE'S one big cardinal point in the Roosevelt policies: To make many groups take losses which are "coming to them." Creditors erred by lending too freely just as borrowers went into debt too freely. This applies, generally and in varying degrees, to owners of railroad securities, to banks on their private foreign loans, to lenders on farm mortgages, to lenders on home mortgages, to bank stock owners, to bank depositors, to the United States Government on its war loans, etc., etc., etc.

I don't like to apply "tags" to men or ideas or programs, because the very patness of tags is apt to promote laziness of thinking, of which we are all guilty. But I must say that the Roosevelt policies seem to me to be more on the side of "deflation" than on the side of "inflation." Think it over.

Of course, the Government's policy is necessarily mixed. Political policy is never wholly consistent. So, while we are traveling the highroad of deflation, we shall have side excursions into the pleasant paths of inflation. But I doubt that we shall branch off, this far along the journey, into *drastic* inflation.

## Budget and Economy

THIS is too big a subject to write you much about. Get it from the newspapers. Only this: The Roosevelt administration *is* doing a good job of cutting government expenses. Oh, it will not satisfy the extremists. But it will be gratifying, and generally satisfying—to all except those who are cut.

The budget for 1934 will not be balanced, I feel sure. But progress will be made toward it, and this is all that is seriously expected.

On the first Monday after inauguration I took time to call on five high officials, to see what they were doing. One was working frantically on the banking mess, four were in conference with subordinate departmental officials discussing ways of cutting the departmental budgets. The busiest of them all was Mr. Morgenthau, acting as if he were going to reorganize the whole Farm Board and the whole business of government lending to agriculture within the week. (I got out and let him be.)

## Tag Ends

—AS railroad financial structures are scaled down in the next couple of years, railroad rates will be reduced.

—*Per capita* tax burden in the U. S. will be far heavier in the next ten years than it now is in England. The British don't know this, because they pay one centralized tax to the centralized government, whereas we pay various taxes to different overlapping governmental jurisdictions.

—U. S. Daily passed out, due to inanition. Too bad. It was a unique and useful institution.

—Democratic caucus system will become a powerful party steam roller, with Mr. Roosevelt at the throttle, using patronage freely to keep the boys in line.

—A "free trader" at the head of the State Department, a protectionist at the head of the Treasury, a strong agricultural protectionist at the head of Agriculture. It is a Cabinet of coalition—coalition of groups of thought, rather than coalition of parties.

—Miss Perkins is our first Secretary of Labor who represents primarily broad public interest, rather than merely the narrower interests of organized labor.

—Land leasing and utilization will supplant domestic allotment.

—Agricultural politicians are grumbling because Mr. Roosevelt shows innumerable signs of fixing up his own program, consulting them in arrears, and giving them merely the privilege of ratification. Co-ops now are in the ascendancy, in so far as Washington influence is concerned. The old-line agricultural associations have declined, due to dumb and sentimental leadership.

—Note how waves of public scoffing have shifted: First, at the business leaders, then the stock promoters, the pyramiders, the utility magnates, then vaguely the bankers, now acutely the bankers.

—Watch how political forces take the lead in the next few years. Watch how the old *laissez faire* ideas weaken.

—Good words are heard here about the "brain trust." Members have been put to work, doing things, administering things. Tugwell is interesting, a bright boy economist, given the hard job of Assistant Secretary of Agriculture, mainly to reorganize.

—Democrats are receiving campaign contributions. If you contribute liberally, you can have a job or name your man.

—Mr. Woodin is a public puzzler. He looks mild, inoffensive, modest, shrinking. But he has a good mind.

—There's to be a big push from Washington to encourage states to reorganize themselves, their political units. There's no longer any need for so many counties, or such small counties. Watch the county politicians squirm.

—Washington correspondents, as a class, are deficient in economic savvy. If publishers were smart, they would shoot their economic writers to Washington during the emergency.

—Foreign service should not be transferred from Commerce to State. State Department men have poor training for trade promotion. Their minds are too much on correct pants, too little on getting things done for American business.

—Tide has been toward increasing nationalism. Except for universal catastrophe, it would have kept on going in this direction. Recent collapse of the United States halts the tide, makes it turn. How far it will go in the other direction is not clearly ascertainable.

—Tariffs will come down—slowly, not precipitately. Reciprocity will be tried in small doses, experimentally.

—The threat of increased imports from depreciated currency countries is now considerably diminished by the prospect that the United States itself may be on the point of becoming one of the depreciated currency countries.

—Remember the inflation of credit which accompanied the whoopee Liberty Loans during the War. This is the sort of inflation which is possible in the future.

—Balancing of the budget for next year is definitely *out*. The most to be expected is a serious effort to work toward balancing of the budget, toward curtailment of current running expenses, toward sharply increased taxes—all these things showing *good intentions*. But to get your mind fixed on actual balance of the budget means disappointment and disillusionment later. We should, but we shall not.

Yours very truly,

*March 9, 1933*

# Muscle Shoals—Operate It

By DAVID J. GUY Hydroelectric Engineer

KEYSTONE—UNDERWOOD

**A panorama of the Valley where the President proposes a program embracing reforestation, reclamation, flood control, navigation improvement and water-power development**

EARLY in February Muscle Shoals regained first page space through the announcement of President Roosevelt's seven-point program for developing the resources of the Tennessee Valley. The plan includes:

Reforestation; converting marginal farm lands into forest areas; reclamation of bottom lands now subject to overflow; general flood control; navigation improvement; water-power development and industrial decentralization.

The benefits of this "vast experiment" loomed large in the public eye and received general public acceptance. *Public Ownership* magazine inserted a brief article "just as we go to press" entitled "Roosevelt Gives Us Hope." The press reported that Mr. Roosevelt was delighted with the general public acceptance of his proposition.

Only the credit side of the account has been unfolded thus far. The splendor of the plan will not be tempered until the debit side is known. Thus far costs have received no place in the publicity and the public has had occasion to look upon the enterprise as beneficiary only, and not as taxpayer.

The resources of the Great Valley are substantial and in some instances of national importance. In area, 26,000,000 acres and six states are involved. The Great Smokies, unsurpassed for height and beauty in the eastern United States, lie centrally within the basin. To this region, according to the United States Forest Service, the country must look "if there is to be any permanent supply of large-sized, high grade hardwood saw timber." Coal and iron ore, the backbone of industry, are abundant along with limestone and varying quantities of phosphate rock, zinc ores, bauxite and manganese. A nine-foot navigation project on the Tennessee River connecting Knoxville with the Ohio and Mississippi system has been adopted by Congress. Proposed extensions on the

# Or Scrap It?

☆ PRESIDENT Roosevelt's seven-point program for developing Muscle Shoals has renewed interest in a problem which has agitated Congress since the war. So far only the advantages of the plan have been stressed. Mr. Guy looks at it here as a taxpayer and an engineer

many tributaries of the Tennessee would add 1,257 miles of six- to nine-foot channel, thus threading the basin together for "cheap" access to its many resources.

Towering above all of these possibilities stand 149 hydroelectric power plants, with a proposed installation of 7,000,000 horsepower which, when supplemented by 1,000,000 horsepower in steam plants, will make available 25,000,000,000 kilowatt hours of electric energy. This estimated energy output is five times the United States' share of the International section of the St. Lawrence Seaway project, and six times the estimated output of the Hoover Dam project on the Colorado River. It equals three-fourths of the total energy produced by water power in the United States in 1932 and nearly one-third of the total electric energy generated by both hydro and steam plants that year.

### A boom for business?

WHAT a land of promise this is! Naturally people and business enterprises of the Southeast and people and business of other sections are interested in and considerably fascinated by the idea that something new is to be attempted in the hope that new industries will be created, men will be employed and human wants more nearly satisfied.

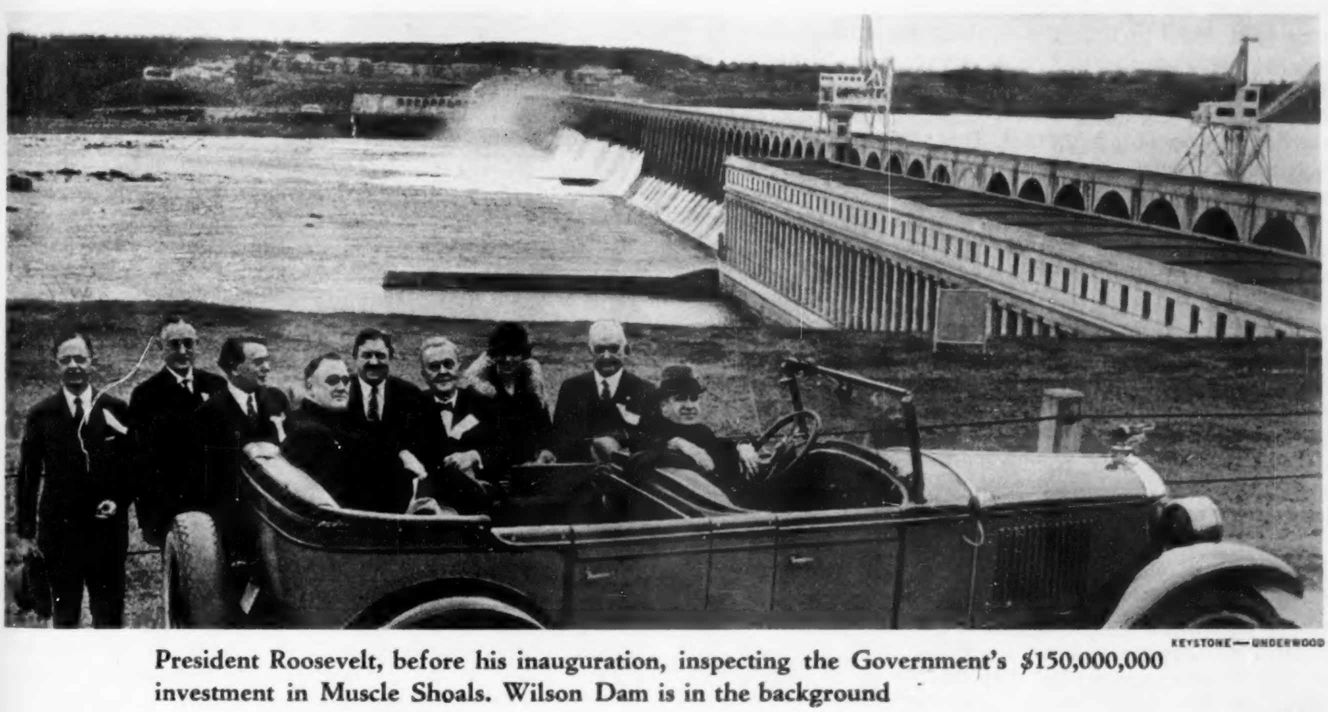
We have heard before that a river in its development should be considered as a unit from source to mouth, that erosion should be prevented, that waste lands should be reclaimed; that marginal lands should be reforested, and that our future lumber needs required extensive tree planting. What refinements, mergings and elaborations of these earlier ideas are contemplated remains to be seen. All must wait for a full revelation of the President's plan before counting the cost in taxes, in adverse effect upon existing business enterprise, and in accentuating our present problems of overproduction.

One question, however, should be permissible at this time: What has Muscle Shoals to do with the larger program of development? Is not this another instance of the tail wagging the dog, even pushing the dog into forward motion unnecessarily?

Let us see. Muscle Shoals is a power and nitrate proposition. Under no stretch of the imagination can it have any connection with reforestation or land utilization. Navigation improvement on the Tennessee River is already an approved undertaking, $5,000,000 having been appropriated for furthering the nine-foot channel to Chattanooga last year. Flood control on the Tennessee, so far as it affects the lower Mississippi flood problem, is of negligible importance according to the Army Engineers. In the Tennessee Basin up-river, storage will help flood conditions materially, but, under no plan, does the Muscle Shoals dam figure in flood control.

Thus we have left only power and industrial decentralization as a reason for launching the greater enterprise at Muscle Shoals. Power, of course, has been most talked of although, in the earlier years of the controversy, fertilizer and national defense received a good share of attention.

Growth in the demand for electric power has suffered a most surprising reverse. In the ten-year period, ending with 1929, we were so accustomed to an expanding market for



KEYSTONE—UNDERWOOD

**President Roosevelt, before his inauguration, inspecting the Government's $150,000,000 investment in Muscle Shoals. Wilson Dam is in the background**

electric energy that only optimistic predictions of future growth received credit. Total energy generated for the country as a whole increased during that decade from 39,000,000,000 to more than 97,000,000,000 kilowatt hours. In states wholly or partly within transmission distance of the power sites in the Tennessee Basin demand increased from 4,000,000,000 to 16,000,000,000. Within this territory, according to Census data, the average increase per year between 1917 and 1922 was 676,000,000 kilowatt hours. From 1922 to 1927, the average increase per year was 1,500,000,000 kilowatt hours. The output in 1928 was 2,340,000,000 more than in 1927. For 1929, the increase was 1,910,000,000 kilowatt hours more than in 1928.

### The curve is pointing down

ENGINEERS, industrialists and others studying and promoting the development and use of this great river anticipated somewhat similar growth until 1940 after which, as a measure of precaution, they assumed a gradually decreasing rate of new demand.

One must bear in mind at this juncture that about two-thirds of the energy generated is consumed in industry. Industrial demand has dropped precipitously since 1929. Instead of the 1930 energy output being 21,500,000,000 kilowatt hours in the Tennessee Basin and contiguous territory as the direction of the growth curve indicated, it reached only 18,250,000,000 kilowatt hours—a decrease of 3,250,000,000 kilowatt hours in demand. Again, instead of the 1931 output being 24,000,000,000 kilowatt hours as anticipated, it was actually 17,500,000,000 kilowatt hours. For 1932, instead of 26,000,000,000, the output was only 16,000,000,000 kilowatt hours—more than 10,000,000,000 kilowatt hours less than the expected market demand.

But this is not the whole story of the Tennessee power situation. Within the area under consideration there are today power plants, both steam and hydro, with a total installed capacity of about 10,000,000 horsepower. If one assumes, say, an annual "load factor" of 35 per cent as an operating condition for this equipment, then it can take care of an annual energy demand for 23,000,000,000 kilowatt hours. The serviceability of this equipment can be approached in a less technical manner.

Power utility companies are required to keep their generating equipment ahead of the actual load demand in anticipation of the accustomed growth in business. Their actual capacity for service is, therefore, maintained greater than the current demand by the ratio of about five to four. Such conditions obtained in 1929 when more than 19,000,000,000 kilowatt hours were actually generated. Their equipment then could have generated 23,750,000,000 kilowatt hours had the demand been made upon it. This equipment is still available and represents an excess capacity of 8,000,000,000 kilowatt hours over the 1932 demand.

About one-third of this equipment serves the states of Tennessee, Alabama, Georgia and Mississippi, and represents, together with transmission and distribution equipment, an investment of more than $700,000,000. The ten companies that operate this business pay annually some $8,000,000 in taxes. They pay gross annual dividends and interest of about $4,000,000 to some 44,000 local citizens who have invested in preferred stock of these companies. This group does not include some 70,000 holders of stocks and bonds, mostly non-resident, including savings banks, college and university endowment or investment funds, trust estates, insurance companies, and other group investors.

It seems a reasonable deduction that any early attempt at large-scale generation of power in the Tennessee Basin by the United States Government, and its delivery anywhere within the region can have but one effect—to force existing plants into idleness. Certainly if the Federal Government enters competition with the private companies the savings of these local citizens are in danger.

The question then arises as to whether the Government can stimulate energy consumption in industry or elsewhere by ignoring these facts and making Tennessee River power available. In the first place, where power alone controls the location of a business enterprise, the Tennessee power faces competition. The estimated costs of power from sites on the main stream range from $24 to $27 per horsepower year.

The total potential capacity of power sites on the Tennessee from Knoxville to its mouth is 1,400,000 horsepower years. In the international section of the St. Lawrence River, the United States' share of the power is close to 1,000,000 horsepower years. Informal agreements between the United States Corps of Engineers and the New York Power Authority indicate a power cost of around $8.50 per horsepower year, just about a third of the estimated cost of Tennessee River power.

As presented heretofore, the Tennessee Basin contains many natural resources in the form of minerals and forest products, and the proximity of power and navigable water courses to these resources suggests many industrial advantages. The region unquestionably offers large opportunity for industrial decentralization, such as President Roosevelt must have had in mind in his February announcement. That such decentralization would have progressed a long way already, had congressional action not intervened, is amply supported by the record of events of the past 15 years. Private industry was seeking opportunity to generate power in the Tennessee Valley before the Muscle Shoals project was undertaken. Since that time it has sought opportunity repeatedly to put Tennessee River sites to work.

Every offer to put the Muscle Shoals equipment to practical use has met with such restrictions as to make purchase or lease of those properties impracticable.

### What industry can use it?

HOWEVER, we must now face conditions as they are, because it is apparent that no industry will be free to undertake development in the Tennessee Basin without some dictation from federal authority.

What industries may be promoted and what commodities produced in the Tennessee Basin? This question cannot be answered categorically, of course. Tables 13 and 14, pp. 516-517, House Doc. No. 328, 71st Congress, Second Session, suggest many, including aluminum, iron and iron alloys, copper and copper by-products, zinc, lime, cement, brick and other clay products, phosphate, and nitrogen. Electrochemical and electrometallurgical products predominate.

Raw materials for almost any of these products are present in the Basin, although the commercial feasibility of extraction, manufacture or processing, coupled with present market prospects, eliminates some of them as business propositions. Take for instance nitrogen; the annual productive capacity of commercial nitrogen fixation plants in the United States was 318,600 net tons in 1932. By-product coke ovens had a capacity for ammonia production equivalent to 200,000 tons of nitrogen. Thus our present capacity for nitrogen production is 518,600 tons annually while normal peace-time consumption is about 370,000 tons. Warehouses are bulging with nitrogen surplus, and prices have fallen to levels where production is unprofitable. For many other products of the Basin somewhat similar overproductive capacities obtain.

Aside from market prospects, power is an important factor, particularly where the electrolytic and electrothermic processes are involved. The cost of power may determine whether one region can compete successfully with another for available business. Whether the Tennessee Basin is to compete with other regions for new or even old business involving any of these products, with private agencies taking the risk; whether competition is to be had under the stimulus of a power subsidy through governmentally owned and oper-

*(Continued on page 55)*

# Making 'For Rent' Signs Obsolete

By RAYMOND WILLOUGHBY of the Staff of NATION'S BUSINESS

**REAL estate owners with the courage to spend money to bring their properties up to date are finding that the move not only restores their holdings to profitable operation but discourages competitive building**



**Factual proof that comparatively low expenditures will rehabilitate a property and increase its income is available**

WHEN the "Arkansas Traveler" asked his host why he did not mend his roof, the reply, though made more than half a century ago, is typical of a state of mind:

"I can't fix the roof when it rains, and when the sun's out what's the use?" It is everywhere evident that the question of "what's the use" when related to property management in our own times comprehends much more than the simple philosophy of a trusting indolence.

The use of structures in which people live and work is ruled by influences as persistent and as potent as the weather. There are styles in neighborhoods as well as in architecture. Accessibility counts. So do cleanliness, comfort, convenience, and good taste. The translation of these components of the standard of living into the adequate substance of shelter and the facilities of an advancing civilization constitute at once the opportunity and the service of the builder, the real estate expert, and the property manager.

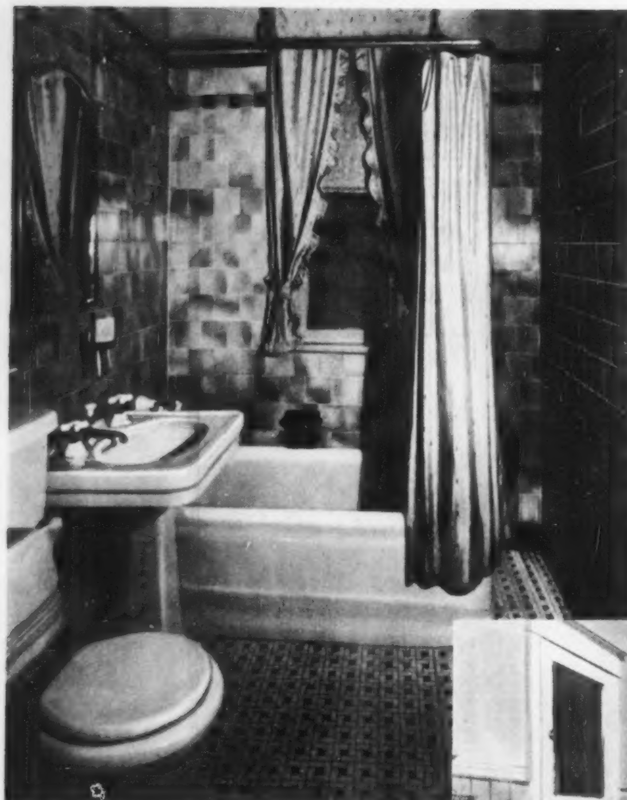
Through the period beginning with 1925 and ending with 1928, the value of construction in the United States amounted to more than $6,000,000,000 a year. Contracts awarded last year in the 37 states exclusive of the Mountain and Pacific divisions totaled $1,351,000,000, with 38 per cent contributed by public works, compared with $3,093,000,000 in 1931. What this shrinkage signifies may be read in the experience that the profitable life of office and apartment buildings is 30 to 40 years. Even where there is no deterioration of site desirability, buildings do not grow old gracefully unaided.

Estimates of the size of the modernization market are at best only intelligent guesses. The most recent, perhaps, is offered by Louis C. Stone in the *Architectural Forum:*

> My own estimate based on 1922 valuations, is that, if all buildings ten or more years old were modernized, one year's work would attain to the astonishing sum of $1,750,000,000. This is not adjusted to include fire and other property damage. About $157,000,000 was spent in 1930 for alterations in office buildings reporting from 54 cities, large and small—no mean figure considering the situation in this space market. This is more than five times as much as women spent for face and skin creams in that year; a third as much as radio purchases—nothing at all compared to the $2,800,000,000 spent with bootleggers and for home-brew ingredients.

### Good appearance helps value

IT IS true that householders may mix sentiment with maintenance. Just as demonstrable is the belief that a good appearance is its own advertisement of underlying value. Where the profit motive rules, as it always must in the management of income producing properties, improvement of serviceability



**Investments in modern plumbing have returned their cost and made the entire property more profitable**

should be interpreted with an eye to the utility of new fashions in fronts, fixtures, fittings, and furnishings. Loss is consistently converted into profit through the physical rejuvenation of obsolescent buildings. The modern touch is no less revealed in the material transformations than in the easy availability of the resources of architects, engineers, designers, suppliers, and financiers.

Many properties which can no longer be operated profitably because of defective equipment, leaking pipes and rusty water, unsightly and obtrusive radiators, inadequate bathrooms, obsolete layouts, unrentable floor plans and other unfavorable conditions can be restored to a revenue producing basis through properly planned alteration. Owners may fill vacancies and effect economies thus increasing income, and even avoiding the loss of property. Mortgagees, by cooperating with owners in utilization of modernizing services, may assure payment of their mortgage charges, thus avoiding foreclosure. Competition from existing structures can be overcome and the erection of competitive buildings discouraged.

Conviction of the skeptic is resting less and less on a wistful credulity. As the Johns-Manville Company has observed, the owners or managers of decadent buildings are already wanting and hoping for methods of increasing net profits.

The plant manager is already looking for something which will save fuel, increase production with no increase in costs, reduce annual roof maintenance expense, and save labor. The dealer is always eager to get merchandise which he can turn into greater net profits for himself. Hence, the real task before a selling organization is to show buyers how to make greater profits, and then prove that proposed methods will accomplish the desired result. When the prospect is convinced that the seller's proposal will increase net profits, and he has the authority and means to buy, he becomes a customer.

The method of proving that the seller's proposal will accomplish the desired result is debatable, of course. Perhaps the ideal way would be to install the product on trial and let the customer see for himself. But selling on trial is not an entirely satisfactory way of doing business. Furthermore, before he will even buy on trial, the prospect must be partly convinced.

## How improvements really help

THE next best method is the performance report.

"A performance report," as this company defines it, "is an accurate document of exactly what our product, or products, is, or are, doing in a specific plant. It shows how the product helps to increase the net profits of that plant. The report presents the problem the plant had to solve, portrays the operating conditions where our product is used, and gives in detail the economies effected by the product, as obtained from actual plant records and test."

Factual proof that a comparatively low expenditure will rehabilitate a piece of property and increase its income is available. Modernization not only saves buildings. It may save entire neighborhoods. For example, it may be profitable for a group of property owners to undertake modernization collectively. People are naturally attracted to good-looking buildings. Business occupying an obsolete building is judged accordingly. At the present low cost of improvements, the transformation of out-of-date structures puts no penance on thrift. The fact that the public demands to be shown attests a lively concern to see that economy in the sense of cheapness does not overrule quality.

The "case histories" of some of these demonstrations indicate the eloquent pressure of facts rather than the rhetorical pressure of personalities. Consider the service of the Rehabilitation Corporation, organized especially to give new youth to superannuated properties, and also to finance the complete job of modernization.

It is sponsored by The Anaconda Copper Mining Company, The Crane Company, First Bancredit Corporation, Carrier Engineering Company, Devoe & Raynolds, Inc., General Electric Supply Corporation, Johns-Manville, Kerner Incinerator Company, Morse-Boulger Destructor Company, Otis Elevator Company, Petroleum Heat & Power Company, Preferred Utilities Company, Simmons Company, Standard Gas Equipment Company, Richard E. Thibaut, Incorporated, United States Rubber Company, Westinghouse Electric & Manufacturing Company, The Porcelain Tile Company, and the Lightolier Company.

Here's the story of the job done at 1361 Madison Avenue, New York. The building, erected in 1901, was of semi-fire proof construction, seven stories high and included 34 apartments. It was 44 per cent rented.

When Duff & Conger, Inc., real estate managers, asked the tenants about renewing their leases at reduced rentals the next October, they found only six per cent inclined to stay in the building.

"Rehabilitate or tear down the building and save operating costs, insurance and taxes," they advised the owners.

After architects had prepared plans and specifications, the

Rehabilitation Corporation submitted a list of alterations and a complete financing plan, together with the estimated rent schedule for the new layout. This schedule proved that it would be possible to make the alterations and still rent at 25 per cent less than comparable apartments in nearby modern buildings. Although all attempt at renting was stopped during September and most of October, the building was 70 per cent occupied before it was turned over by the contractors. The favorable leases signed up to that time had more than justified the alteration.

Because of its size and the comprehensive range of incomes, New York City provides a wealth of examples to prove that modernization pays. In Brooklyn the story is the same.

Bennet Minor, head of the Wood Harmon Warranty Corporation, reports that the buildings in his control are now 82.3 per cent occupied. Last July the figure was only 60 per cent. Many houses on Brooklyn Heights which the company holds have rented rapidly. He has "dolled up" the houses, he explained, "and the response has been remarkable."

Franklin Arms in Orange Street, was 80 per cent vacant last July. Its restaurant served only 202 meals in one entire week. On December 7, five months later, there were three vacancies and these have since been rented. The restaurant had made a weekly "high" of 555 meals.

Washington Heights is a neighborhood which has had a rental problem peculiarly its own according to Lee Kramer of the Wood Dolson Company. Excepting the northern end of this area and a few scattered pieces, all the buildings are from ten to 30 years old; in most instances, between 18 and 25 years. These buildings have long passed their proper income-producing value.

### Tenants go modern

MANY of the 500,000 or more inhabitants of this community have been educated to modern housing, new trends in fixtures, tastefully decorated apartments and well appointed buildings. Owners who have not modernized and improved are paying the penalty. In many cases this penalty has been the loss of the property.

To obtain income from neglected buildings on Washington Heights, institutions which have taken back properties have been obliged to recondition, renovate and remodel. As Mr. Kramer concludes, it takes courage, vision and resourcefulness to maintain a building at a high standard, commensurate with modern competition, but the efforts of those who do so are well rewarded.

The modernization of a New York apartment house shows what can be done. This building of 22 apartments formerly used combination coal stoves for heating and cooking. The average monthly rental was $31. The building was redecorated once a year to avoid unsightliness from coal dust and ash litter, but rental was difficult and never averaged more than 20 of the 22 apartments.

Two years ago the American Ideal system was installed for heating. At the owner's expense gas ranges were added for cooking. The apartments immediately became easier to rent. The average price jumped to $37 a month, and the building was kept filled continuously. Redecoration will be necessary only at three-year intervals, representing an annual saving of $633. The total annual gain traceable to this improvement is $1,849, with a return on the investment of 52.8 per cent.

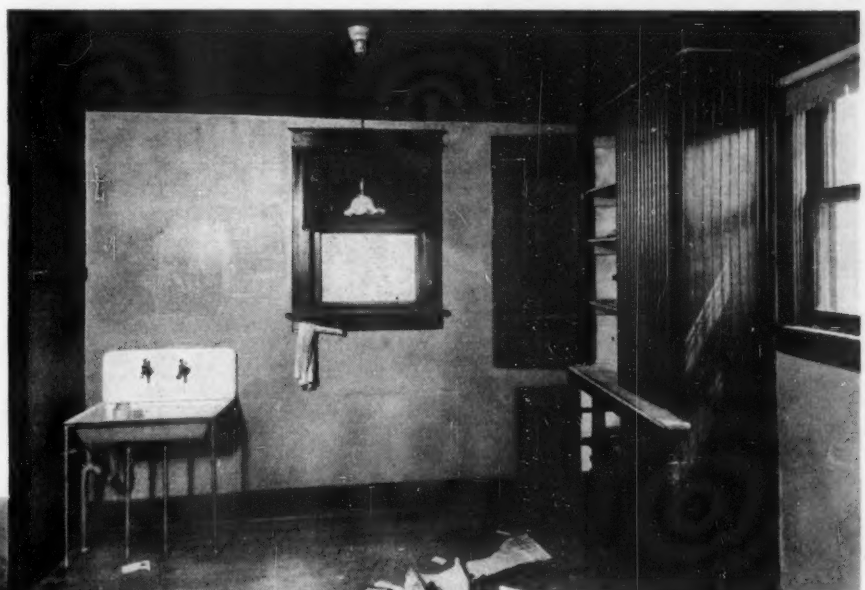
When existing leases expire, the owners of office and apartment buildings and rented houses must meet the problem of satisfying the universal demand for lower rents. If they are to maintain a fair return on their investment they must introduce modern heating, plumbing and elevators. Such investments not only bring a return on the cost of the improvement but make the entire investment far more profitable.

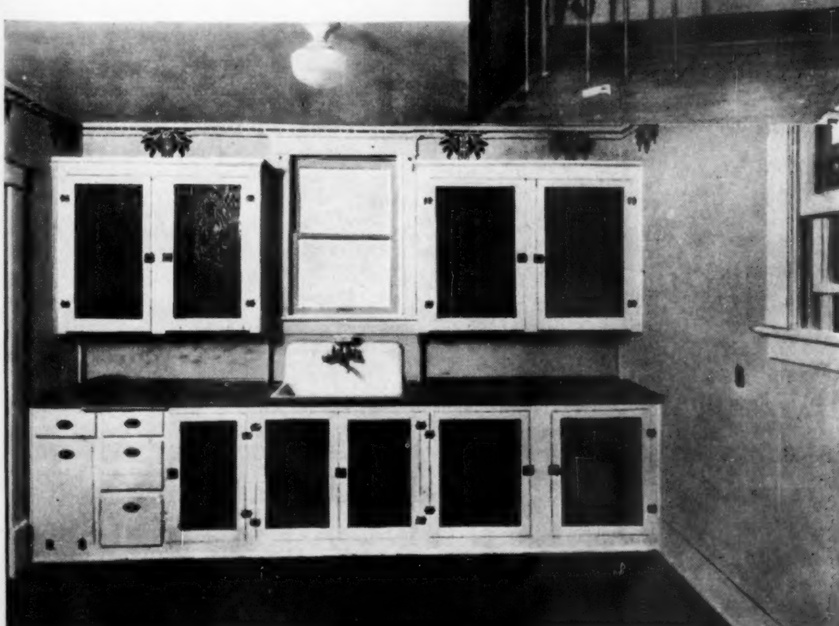
Here are some examples provided by the Kohler Company:

The owner of an apartment building in Brooklyn, with an assessed valuation of $280,000, faced a 55 per cent vacancy and a gross income of $14,000 annually. Taxes and interest amounted to $18,657. He spent $50,000 in modernizing, largely in providing additional bathrooms, and new kitchen sinks, thereby reducing his vacancies to 11 per cent and increasing his gross income to $39,719.

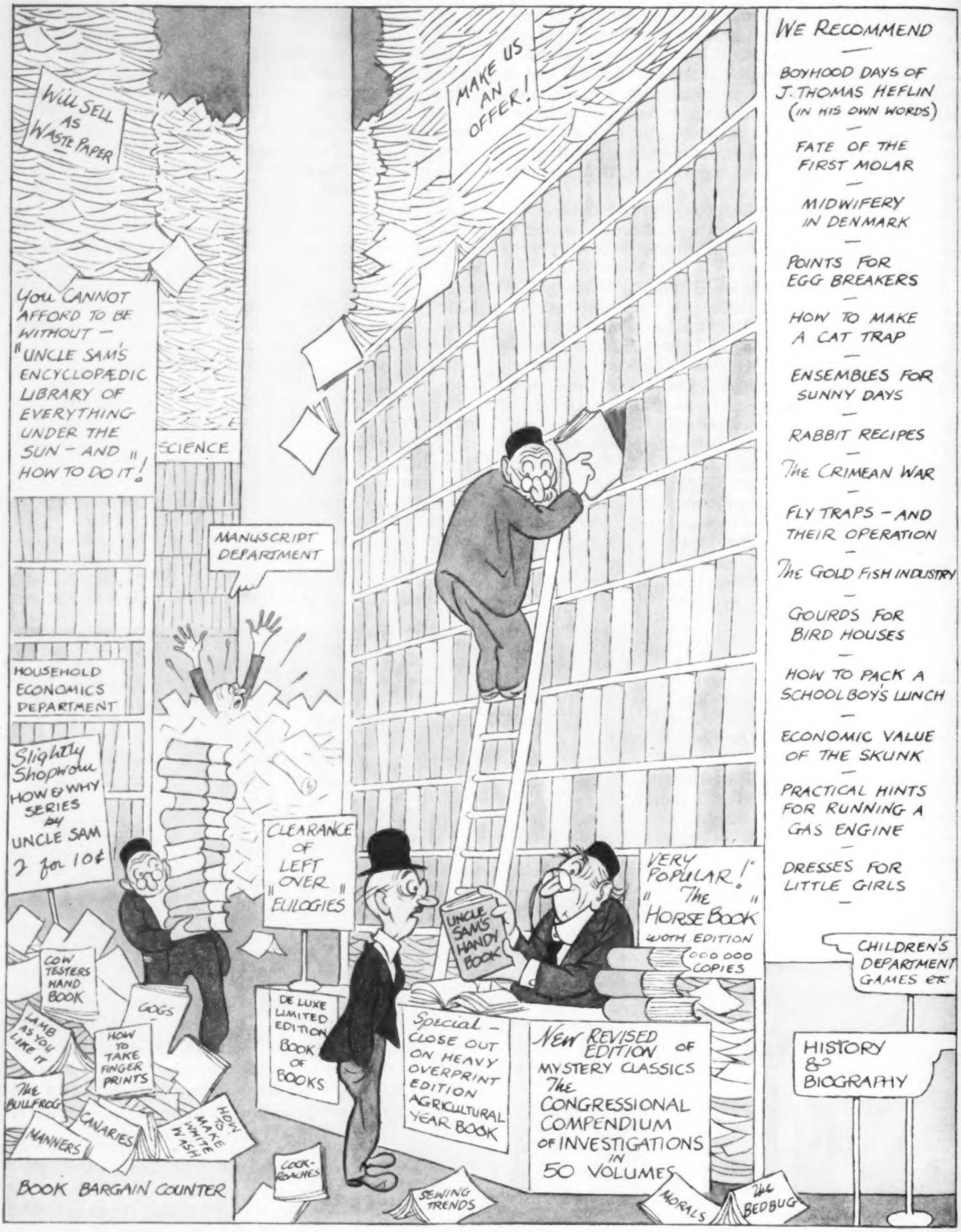
A Long Island realty company was compelled to repossess 16 two-family houses, built only six or seven years ago. By making an additional investment in modernizing of 14 per cent of the selling

*(Continued on page 58)*





**Modern kitchens were part of a program by which an apartment owner reduced vacancies 44 per cent**




*Our Inquiring Taxpayer* ★ No. 4 ★ OUR taxpayer pictures himself in the salesroom of the Superintendent of Documents after learning that the most prolific of all writers and publishers, Uncle Sam, published 94,500,000 books and pamphlets for 1932, an off year! The sales effort in getting rid of everything from midwifery to eulogies must be terrific, as is the effort of the taxpayer to pay for the many that are periodically sold as waste paper. The bewildered taxpayer is looking for a book on "How to Pay Taxes," but it is not in stock.

NATION'S BUSINESS

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*Vol. 21, No. 4*

*Published at Washington by the* Chamber of Commerce of the United States

# *Charting the Course of Business...*

WE ADVOCATE *an immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus, and eliminating extravagance, to accomplish a saving of not less than 25 per cent in the cost of Federal Government, and we call upon the Democratic party in the states to make a zealous effort to achieve a proportionate result.*

—from the 1932 platform of the Democratic Party

## Confidence is most needed . . .

★ THIS is written on March 8, four days after a new President took office, with every bank in the country closed by his order, with the country, in effect, off the gold standard, and with a special session of the new Congress about to meet.

The action was probably inevitable. The alarm that began in Michigan and spread to Maryland was fast becoming nation-wide. Better action that affects all banks than a creeping paralysis of banks closing one by one.

A country which transacts nine-tenths of its business by check could not long go ahead with its banks half active and half dormant.

And there was little disposition to question the wisdom of the new President's startling action.

The great hope was that action to reopen them with some form of circulating medium should be prompt. How that call for speed has been answered readers will know before this is off the press.

The situation in Detroit as described in press despatches makes plain that need for quick action. For the first few days of bank "holidays" the public was good humored and prepared to put up with discomfort. As time passed restlessness and discontent increased. As credit was restricted the problem of obtaining every day necessities grew greater.

The prayer of every man now should be that in these days of stress, the country and in particular the business man of the country will show such tolerance, such patience, such good nature in adversity that there will be reawakened a spirit of confidence in themselves and trust in each other.

## A shortage of currency . . .

★ THE NATION'S BUSINESS reader who is somewhere from 25 to 45, and perhaps most of them are, can remember nothing comparable to the days we are now going through. If he is in his 50's he will recall the currency panic of 1907 and perhaps be calmer in the present crisis than his younger brethren in business. That was the end of everything—every crisis is hailed by the pessimist as the crisis that will end everything including civilization and the capitalist system.

The thing that sticks in the mind of the oldsters is that in 1907 there wasn't any money. Business houses paid on checks because their banks could not provide currency and cashing a check was a feat. The man who had five one dollar bills was wealthy. Clearing house certificates were in wide use. Bank failures were many.

Three years later the "currency panic of 1907" was a memory.

## Sound currency or inflation? . . .

★ TWO questions were asked on all sides when the bank holiday was declared and proposals for new money were heard:

Are we getting inflation?

Are we on or off the gold standard?

Both answers call for definition. If we mean simply the issuance of some more money to take the place of that which has gone into hiding, then the new money is inflation. If we take the dictionary definition; "expansion or extension beyond natural or proper limits or so as to exceed normal or just value; specifically, overissue of currency," then perhaps we are not in a period of inflation.

So with the gold standard. We have a large supply of gold, that was disappearing too fast for comfort and is now penned in. The gold is there but you can't get it. Gold standard or not? We leave it to you.

## Where bank holidays are old . . .

★ THE bank holiday made nation-wide didn't upset some hundreds of American communities which had long been without banking facilities where some form of scrip or token money was in use—neighborhood inflation, an economist calls it.

Read Mr. McCrea's article on page 13 of this issue describing present-day conditions in his home town of Boone, Iowa, and you'll feel that nothing much that could happen in a banking way would startle them. Boone had open banks but most of the depositors had waived their free right to draw money and that's all the banking holiday most of us care about.

## Destruction of confidence . . .

★ "CONFIDENCE," said a philosopher, "is fear asleep."

Just now fear in this country is wide awake. Money has turned coward. It hides in dark corners; asks only safety and gives up hope of profit.

Two things in the United States have kept the confidence of the public, its money and its bonds. No man has yet hesitated to take the coin or the paper money of the Government through fear that overnight its value may be lessened; no issue of government bonds has failed to be oversubscribed through fear that the interest will not be met or the principal be not redeemed. And now come the inflationists

who would make the dollar doubtful and our federal credit questionable.

Said a banker with wide European experience:

"No German statesman would dare go before the electorate today with a policy of inflation. Germany has had its bitter lesson and has not forgotten."

Must we learn the bitter lesson by experience again? Must we attack the remaining foundation stones of confidence in this country?

## Dictatorship through cowardice . . .

★ IN every time of grave business depression, in every period when economic wheels are out of gear, two cries are heard:

INFLATION!
DICTATORSHIP!

We have been hearing both of late. At this writing both seem to have died down. Both will be heard again. As times grow better, as we leave the mire for solid ground we shall forget them entirely. Democracy will seem good to us. We shall declare, even those of us who now cry inflation, that after all we are really all sound money men, that all we wanted was just a little inflation—just enough for a tonic.

But the cry for dictatorship at this time is a pitiful one—for it has been a cry from Congress rather than from the people, a cry born of cowardice, from the desire to evade responsibility, to shun the unpleasant task.

The Congress has all the power it needs to reduce the government spending, to check the growth of government agencies, to consolidate or abolish bureaus. But Congress is unwilling to face the task frankly and fearlessly. It hesitates to make an enemy. It knows how handy jobs are as a help toward reelection. Yet, it fears the voice of the people demanding a balanced budget and lessened taxes. Hence the proposals to add to the powers of the President to reorganize the Government.

Congress wants to say to the taxpayer:

"See, we cut the costs of Government."

It wants to say to the politician and the office holder:

"*I* didn't do it."

## Curtailing the I. C. C. . . .

★ IN February, 1930, this magazine called attention to the extraordinary order of the Interstate Commerce Commission directing the Oregon-Washington Railroad and Navigation Company, a subsidiary of the Union Pacific, to build 185 miles of railroad across Oregon to connect with the Southern Pacific. The railroad objected. It said the proposed line wouldn't pay. The Commission said in effect: "It will pay some time and the state needs it. Go ahead with the $12,-000,000 project."

At that time NATION'S BUSINESS said that the Courts had still to be heard from. Now the Supreme Court of the United States has told the Commission it went too far.

The majority decision is this interesting picture of what the railroad was asked to do:

> This line, 185 miles in length, after leaving Crane would traverse about 20 miles of swampy area and 15 miles of alkali flats, and would then pass over the Great Sandy or High Desert for 115 miles. The region is in part sparsely settled and in part wholly uninhabited, and contains no towns except Crescent and Crescent Lake, at the western extremity, neither of which has a population of 100. There is no town within 20 miles north or south of the proposed line. Certain of the lands have possibilities of cultivation through irrigation, and the evidence for complainants is that if the railroad were built such activity would be stimulated. There seems to be no dispute that traffic to be obtained from the region will fall far short of supporting the line.

To compel a business—even the regulated, ruled and restricted railroad—to go into a venture which won't pay on the ground that it might pay some time and in the meantime would help the growth of the community seems to the ordinary man an extraordinary extension of federal power.

## Money can't find a job . . .

★ THE visitor from Mars might wonder at many things in this world of ours—at hungry men and grain unthrashed in the fields; at shoeless children and closed shoe factories. He might wonder that in a world that complains of a lack of money there is too much money. At least there is too much money in some places.

A manufacturing corporation had a considerable cash surplus. Its president called the large New York bank where it kept some of its funds and said in effect:

"We've got too much ready money. Where can we put it? Short term government bonds don't pay anything worth while; banks aren't paying enough on deposits to be attractive. What can we do?"

Followed a conference of some length over the long distance telephone with two or three bank officials taking part. And the final outcome was:

"We don't know anything to do with your money except hold on to it."

Six weeks ago another banker said to the writer:

"We are constantly asked: 'Tell me what I can do with my money. I have more on hand than I need. Where can I put it so that it will be safe and profitable.'

"And," said the banker, "all we can tell them is to put it in short term governments and wait to see what happens."

A world of poverty and unemployment with money looking for work.

## Farmers can't shut down . . .

★ A RECENT bulletin of the National Bureau of Economic Research presents a striking picture of how depression has affected production.

Taking 1927 as 100, the Bureau reports that production of raw agricultural products was 97 in 1932, while raw mineral products went down to 66, manufactured goods to 60 and construction, greatest of sufferers, declined to 29.

In other words, the farmer went right on producing while the mine and oil well owner slackened, the manufacturer cut off two-fifths of his output and the builder all but stopped building. And if it hadn't been for government construction the builder would have come far closer to zero output.

What's been the result? What are the reasons? One result has been to depress farm prices out of proportion to other prices. The farmer who once produced 100 units and sold them for one dollar each now produces the same 100 units but must sell them at half as much. The manufacturer who has produced 100 units and sold them at one dollar each now produces 60 units and sells them at a price not so much below his old figure. As the Bureau puts it:

"The influence of industrial fluctuation on raw material producers is immediately reflected in price changes, rather than in variations in output, while among manufacturers the reverse is true."

The reasons? The farmer cannot readily shut down his plant. His land is there and it is about as cheap to raise a crop as to let it lie idle. Another factor however which is on the farmer's side is that most of his product goes into food and food is in constant demand and always being replaced.

Many a manufacturer wishes his products were.

## Reforming against depression . . .

★ JAMES H. R. CROMWELL, 36 years old, vice president of the Peerless Motor Company, stepson of E. T. Stotesbury of J. P. Morgan & Co., and son-in-law of Horace E. Dodge,

automobile manufacturer, has written a book called, "The Voice of Young America."

Mr. Cromwell has 34 reforms which would drag this country from the pit of depression and set it on the path of perfection.

The Fifth Reform is to reduce the expenses of bureaucracy to the reasonable requirements of government and thus terminate the present tendency toward federal paternalism.

An admirable "reform." Mr. Cromwell's ways to accomplish it include:

The Eleventh Reform is the repeal of the Eighteenth Amendment and the substitution of the Canadian or Swedish system of control of liquor.

The Twelfth Reform is to create a national police force under the jurisdiction of a new and separate national department.

The Thirteenth Reform is to establish federal control over the sale of firearms and to impose an immediate jail sentence of at least two years upon any person possessing lethal weapons without a permit.

The Twenty-first Reform is the abolition of all state banks and the creation of a unified banking system under the control of the Federal Reserve Board.

The Twenty-second Reform is specifically to instruct and empower the Federal Reserve Board to adopt a definite policy toward the prevention of financial crises, to proportion credit expansion to production, and to cooperate with foreign central banking systems in maintaining international financial stability.

The Twenty-fourth Reform is the creation of a general fund to guarantee payment to depositors in the event of the failure of any member bank.

The Twenty-seventh Reform is the creation of a national system of federal employment offices.

The Twenty-eighth Reform is the establishment of compulsory Federal unemployment insurance.

The Twenty-ninth Reform is the creation of State public-works-planning boards under Federal supervision and with Federal assistance.

The Thirty-second Reform is the government ownership of transportation and public utilities.

Mr. Cromwell's desire to abolish paternalism seems overbalanced by his suggestions of paternalistic activities.

The announcement on the cover says that Mr. Cromwell "engaged the attention of Palm Beach by fighting three rounds with the Light Heavyweight Champion of the World" and again "astounded Palm Beach when he publicly argued against Martin W. Littleton."

## Things could be worse . . .

★ WE are always just a step away from the new era in which nothing will ever be wrong or a new era in which nothing will ever be right.

Just now the world is highroading to Hell; Capitalism is doomed; Democracy is a failure; and if we can be saved only a dictator can do it.

All of which is talk that we have heard before, that our fathers heard before us and that our grandsons will hear when we are dead and gone.

One of the proofs that we are ruined is that the farmer can't pay his mortgage. Ergo, the financial institutions, notably the insurance companies which loaned the farmer money, must be ruined.

We were just about to accept this when we read in the annual report of the Northwestern Mutual Life Insurance Company this paragraph:

During the severe depression following the panic of 1873, the percentage of the Company's admitted assets invested in foreclosed real estate increased from .232 per cent in 1874 to 8.904 per cent in 1880 and thereafter diminished to normal in 1890. During the panic of 1893 and the years following, the percentage of the Company's assets invested in foreclosed real estate increased from .467 per cent in 1893 to 2.806 per cent in 1899 and diminished to normal in 1908. On January 1, 1929, the foreclosed real property owned by your Company amounted to .255 per cent of the total Admitted Assets. The subsequent depreciation in land values and the fall in prices, at the farm, of agricultural products to figures below the cost of production has resulted in an increase in the percentage of assets in foreclosed real property on December 31, 1932, to 1.437 per cent of the Admitted Assets or less than $15.00 per $1,000 of such assets.

And wheat, corn, oats and rye and lard were lower in the mid-nineties than today.

## Farmers are not bankrupt . . .

★ NO doubt the farmers' lot in the last few years has been a hard one. So has the lot of many a worker and business man.

Particularly has the farmer been pitied for the burden of mortgage debt that has fallen upon him. Yet here's a bulletin of the Federal Land Bank of Wichita covering Colorado, Kansas, New Mexico and Oklahoma, and it tells us that at the end of January, this year, 57½ per cent of the 30,799 farm loans held by the bank in those four states "were in good standing with all sums due on them paid in full."

If farm loans by other institutions keep that ratio—and the Federal Land Banks have borne the brunt of the "don't-pay" drive—that means 42½ per cent of encumbered farms are not behind hand. Only 42 per cent of farms have any mortgage at all, so only 42½ per cent of 42 per cent—about 18 per cent—of the farms in this region are facing foreclosure even at a long distance.

The farmer probably isn't as delinquent in debt as many of his advisers think he is or ought to be. Why not preach the other side. Turn to page 11 and read "The Mark-down of Morality."

## More and more taxes . . .

★ THE methods proposed by Alfred Emmanuel Smith to set the world aright will find approval and opposition. But many a newspaper reader, with an income tax return in mind heaved a sympathetic sigh when he read these words of Mr. Smith before the Senate Finance Committee:

Take a man who takes a chance. If he loses, why it is just too bad. If he wins, look what happens to him. They come in and take the largest part of it away from him. Take my case. I get $50,000 a year as president of the Empire State Building. After I left Albany, after living in a mansion for six years, I couldn't see First Avenue very well, so I went over to Fifth Avenue. I signed a lease for $10,000 a year. Now, with my salary decreased, my lease still in my lap, the Federal Government and the State together are going to take $10,800 away from me in taxes.

It falls to few of us to get $50,000 a year, but it falls to most of us to wonder how the Government expects us to pay more and more out of less and less.

## Our money works slower . . .

★ AS a nation we live less on currency than any other country. Nine-tenths of our business is done by check. And that's one of the things that make talk of currency inflation seem ridiculous.

We have more currency than we needed in our liveliest business days. Why make more? What we need is faith or credit—and credit is another name for faith. We need bank deposits in action and no one seems to have found a royal road to that condition.

How the activity of bank deposits has fallen is strikingly shown by some Federal Reserve *Bulletin* figures:

From 1923 to 1925 deposits in member banks in leading cities turned over 26 to 32 times per year. From the fall of 1925 to 1929 turnover increased until it became 45 times a year.

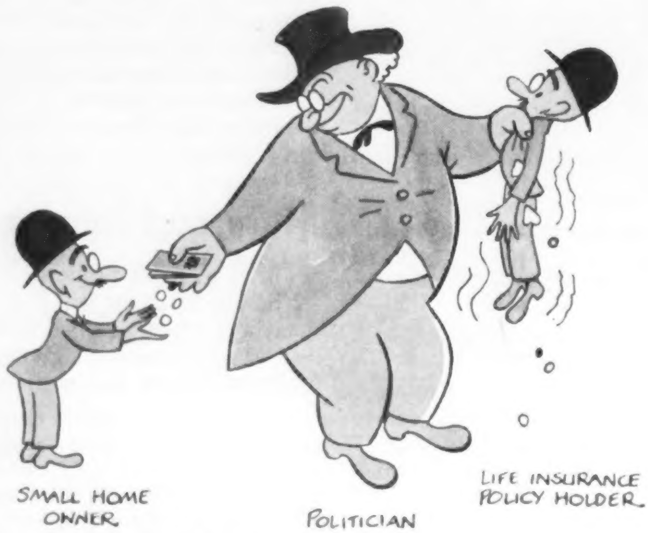
In the last quarter of 1932 it had dropped to 16 times per year. Money was doing its work slowly and all business lagged.

# The Crisis in Home Financing

By MORRIS EDWARDS of the Staff of NATION'S BUSINESS

Cartoons by Charles Dunn

**REAL estate men agree that the home mortgage situation is changing rapidly. Forty of them contributed opinions to this discussion of what the future may hold**




**The debtors' plight is touching but do not the insurance policyholders deserve some attention?**

PEOPLE'S ideas about buying and selling homes and their habits of borrowing and lending money on them, having changed once in the years following the war, now are changing again. The first change was pleasant. The second is less so.

Before 1920, most people bought houses primarily to live in, and borrowed against them no more money than they were sure they could repay. In those days, home ownership was an emblem of thrift, its wearing reserved exclusively for the thrifty.

In the 'twenties, ideas and habits of home ownership swung away from the old standards. People began to buy with one eye glued on the chances of early and profitable resale. Mortgages took on a new guise. Their amounts became shrewd guesses, not of what a responsible borrower would be able to repay, but of what a subsequent purchaser could be induced to assume. Home ownership, for generations the prized opportunity of the thrifty few, gradually became "home ower-ship," the fascinating pastime of the speculative many.

Now the trend is being reversed, and the process of reversal is being packed into such a brief interval that emergency adjustments have been required to keep it in control. Gearing $20,000,000,000 of home mortgages to new conditions, new sets of values and new mental attitudes of home owners, is no picayune undertaking.

"All this amounts to," an old-school banker told me, "is that another generation is learning its lesson about debt. It is finding out for itself that there was something real, something that comes from the soil, in the homesteader's mortal fear of mortgages and debt.

### A matter of character

"IF YOU look at it that way," he went on, "the problem of paring mortgages down to amounts in line with reduced values is not much more than the test of the character of borrowers which, it seems, has to come about once in every generation. If men still will work themselves to the bone to pay debts on their homes, the great part of these twenty billion of home mortgages will come out all right; it's only a matter of giving extensions of time.

"But if the urge to do their best to save their homes is gone—and it would have taken an awful big change in just one or two generations for that to be the case—the mortgages never were much good and are not now. In that case, no amount of time will help.

"There's only one rule of common sense for times like these. A lender can give more time to a borrower who is willing to pull up his belt and try. But there's only one thing to do with those that quit. That is to sell them out and write off the losses."

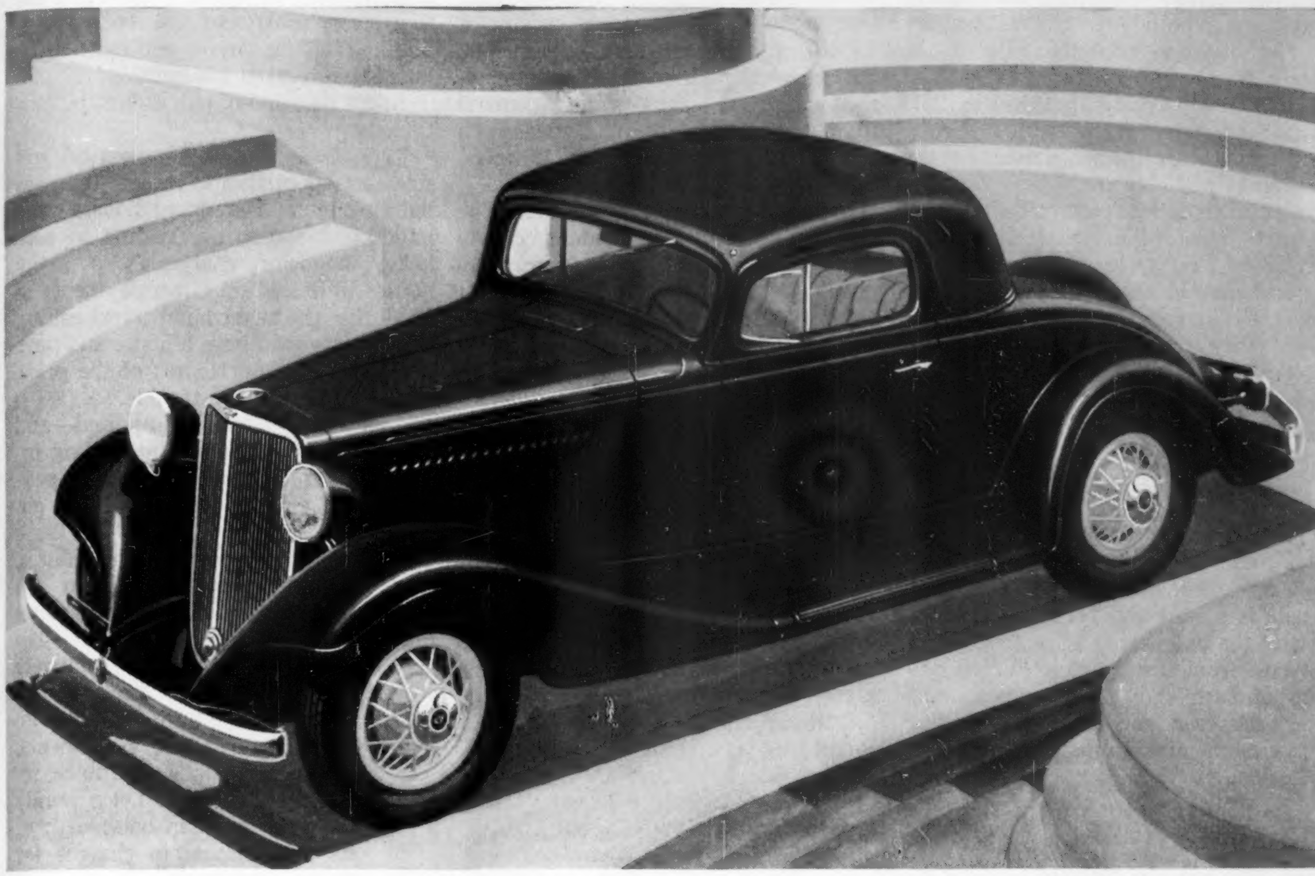
That character has not undergone such a "big change in just one or two generations" was evidenced by what the president of a life insurance company told me a few days later.

"You ask me how our assets have stood up under the depression," he said. "I'll tell you. The best assets we have brought through the depression are our home loans. Among them, the best of the lot are the long-term loans—12 or 15 years—in which a borrower agreed to pay something on principal every year and wipe out the mortgage, or nearly so, at the end of that time. They represent not only the largest margin of security for us, but also the highest class of home buyers. People do not contract that kind of loans unless they are sure they want to keep the property, are confident they can meet the payments, and intend to meet them as they fall due."

No two people quite agree as to the exact conditions which nowadays are referred to as "the crisis in home financing." Almost everyone has his own reason for wanting to make them seem appreciably better or worse than they really are. A composite of many conflicting views, however, produces a comparatively accurate set of facts.

In 1932 there were roughly $20,000,000,000 of home mortgages. Of these, somewhat less than half were held by building and loan associations; perhaps one-fourth by life insurance companies, and the remainder by savings banks, mortgage lending companies and private lenders. Nearly half were for short

# THE GREAT AMERICAN BUSINESS CAR



CHEVROLET STANDARD SIX COUPE, $445

featuring the

## lowest first cost and lowest operating cost

*of any full-size six-cylinder enclosed car*

Depend on Chevrolet to be the first to recognize the need for a new type of business car—and to take the initiative in building it. Such a car should be, at the same time, smart, comfortable, fast, dependable—a record-breaker for economy, and very low in first cost. *Here is such a car*—the new Chevrolet Standard Six coupe, with body by Fisher and chassis and engine by Chevrolet. Taking advantage of a long wheelbase, Fisher designers have built a full-size body—up-to-the-minute in appearance, equipped with Fisher No Draft Ventilation, and with a world of room in both the passenger and luggage compartments. The engine is the product of two years of sustained engineering effort. It's a fast, smooth, flexible *six*—capable of better than 40 miles an hour in silent second, 70 miles an hour in high, and *matchless economy at any speed.* And the whole car is built to the same quality and precision standards that have made Chevrolet world leader in sales for the fourth time in six years! Digest this information, read that low price again, and you are sure to come to the popular conclusion—*the fleet that earns its way these days is the fleet composed of new six-cylinder Chevrolets.*

CHEVROLET MOTOR CO., DETROIT, MICH.

CHEVROLET

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**COUPE**

**$445**

**COACH $455**

**COUPE with rumble seat $475**

*All prices f. o. b. Flint, Mich. Special equipment extra. Low delivered prices and easy G.M.A.C. terms.*

# CHEVROLET STANDARD SIX

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terms up to three years. The remainder were for terms ranging to ten or 15 years.

The two classes of mortgages—long and short term—offer different kinds of problems to both borrowers and lenders.

For instance, take the case of the home buyer who owes a mortgage of $4,000 on a property appraised in 1929 for $6,000. That mortgage now is coming due. Under former conditions, the mortgage probably could have been renewed in its full amount, certainly with a curtailment of not more than $200 or $300. Today, however, a fair appraisal may be only $4,500. The resale market is stagnant, and the property is more than three years older than in 1929. Willing to lend not more than two-thirds of appraised value, the lender wants the mortgage reduced to $3,000.

### Refinancing is serious

THIS demand catches the borrower at a time when savings are depleted or tied up and his income much reduced. There is a wide gap between the interests of the two parties.

With from three to four billion dollars of such short-term loans coming due each year, and with other lending agencies unwilling to make new loans in amounts larger than present mortgage holders will renew old ones, the refinancing problem is serious.

This is the simplest possible case. Usually there are such complicating factors as a second mortgage or a lien for delinquent taxes. Perhaps a company which sold the mortgage to a third party has guaranteed its payment in full at maturity. The borrower is in a tight corner, holders of junior liens are fidgeting, and the first mortgage lender has his own commitments to consider in granting extensions of time.

The problems are different—but no less serious—with long-term loans. The borrower's payment each month or each year is substantially larger because it includes also a sizable item for principal. So long as the borrower meets his payments, he need fear no sudden demand for a reduction of the principal. With the larger regular payments, however, the risk of delinquency is greater.

Look at the lender's situation. The conditions which cause delinquencies in borrowers' payments also cause demands for cash by stockholders of building and loan associations, policyholders of life insurance companies, and customers of guaranteed mortgage companies.

The lending institution, however solvent it may be, needs cash to meet its own commitments and must press borrowers for payments.

Thus, the situation has two major elements. One is the problem of refinancing maturing short-term mortgages in a period of declining and unstable values. The other is that of enabling institutions which make long-term loans to meet demands for cash.

Although the condition is readily apparent, it is well-nigh impossible to get any two parties to agree on what caused it. Real estate men and those interested in the building supply and construction industries declare that "the mortgage lenders shut down." The lenders reply that "high-pressure methods of real estate promotion, sale and construction" created a situation in which sharp adjustments were inevitable and were only hastened by the general depression.

That attitude came forward in a discussion with the president of a New York savings bank.

"Why don't we all just admit the facts and quit bickering about who is responsible?" he asked. "The facts are that every party to the business of building, selling, buying and mortgaging houses overplayed his hand."

Asked for a bill of particulars, he continued:

"Too many lots were staked off and sold as speculations rather than as building sites. Too many houses were built on a shoestring, leading to top-heavy financing charges. Too many houses were sold on down payments so small that the buyer had no real equity. Whenever a man buys a house and pays down less than one-fourth of the price, he is skating close to trouble.

"Too many people promised—and were wrongly permitted by lending institutions to promise—to make payments that could be met only if they got all the breaks. They seemed to think they never would have another illness, another baby, another death in the family, or another interruption or reduction of income.

"Too many people bought—and were wrongly encouraged to buy—houses that they could not afford to live in. They forgot about taxes, assessments, loan commissions, insurance, repairs and the like. Let a family tie up more than one-fourth of its sure income in charges for shelter, and it has little reserve with which to meet emergencies.


**"The only moratorium we need in this field is a moratorium on talk"**

### Unsound financing

"TOO MANY people bought plans of financing instead of real estate. The terms of $300 down and $60 a month were more important in their eyes than the fact that they were paying $6,000 for a $4,800 house.

"Too many people, both lenders and borrowers, made mortgages on which there was no real meeting of minds. A buyer would promise to repay the principal in three years, but he did not mean it. He meant only that he would pay interest for three years and then would rely on good luck and the lender's willingness to renew the loan itself. That sort of business soon can get both lender and borrower in trouble."

This is a fair sample of what mortgage lenders seem to believe. Contrast it with the point of view of a real estate man well known in the subdivision and home construction field:

"Yes," he said seriously, "there were excesses in real estate promotion methods, but they were only part of the picture. Another part was the eager-

*(Continued on page 37)*

ALCOA ALUMINUM

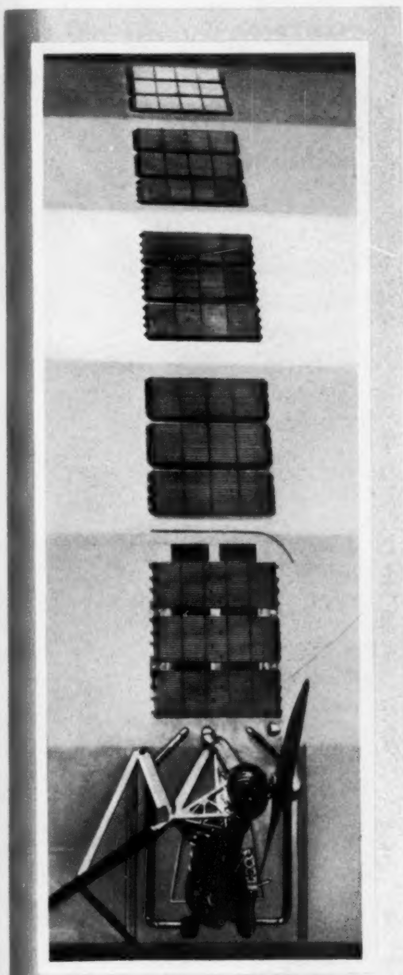
# Re-Design
## is a problem sitting on the doorstep of most manufacturers

## Basic Materials and Good Re-Design

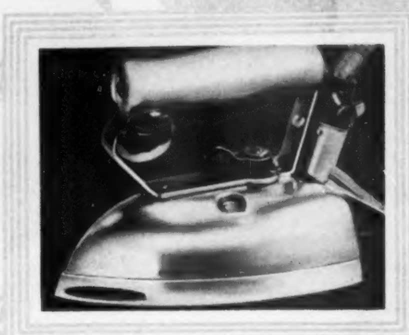
**"In the coming era of business revival, which will be the greatest period of re-design the world has ever known, aluminum will play a large and significant part. It will be the basic material in thousands of products.**

**"The immediate future of industry and science will witness a sharp and decisive battle against mere weight. The public, its buying power revivified, will demand beauty of form, new efficiency of performance and durability.**

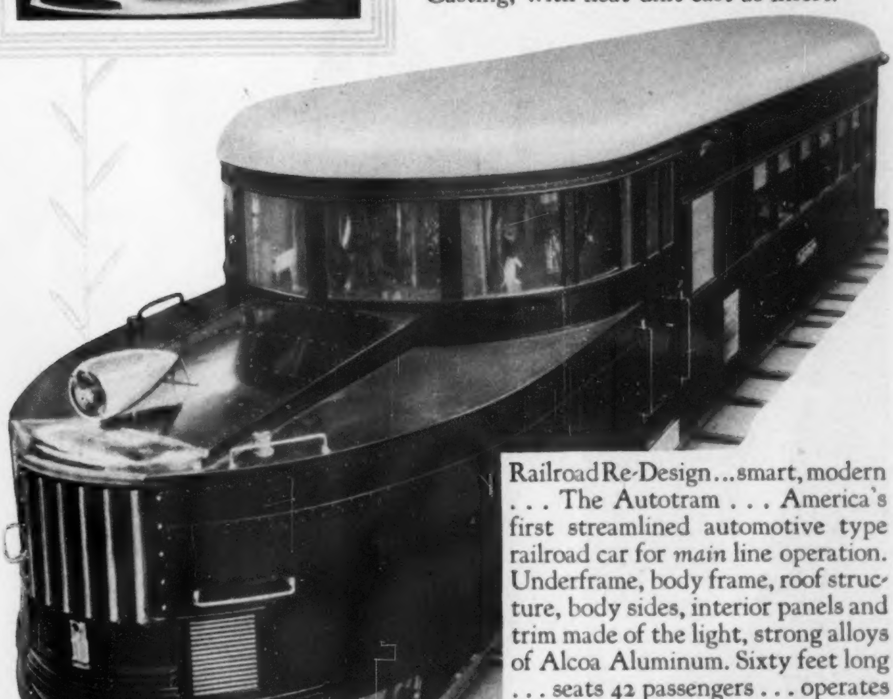
**"I have found that Alcoa Aluminum, because of its great tensile strength combined with its light weight, its resistance to corrosion and its ready applicability to countless shapes, serves the designer's aims perfectly in creating many new articles or recreating old ones of greater utility, beauty and salability."**



On U. S. Navy Dirigibles "Akron" and "Macon", water recovery tanks made of Alcoa Aluminum streamline tubing are employed to condense engine exhaust gases . . . water so condensed is stored and thus, compensating for fuel used by engine, serves to equalize weight of ships.



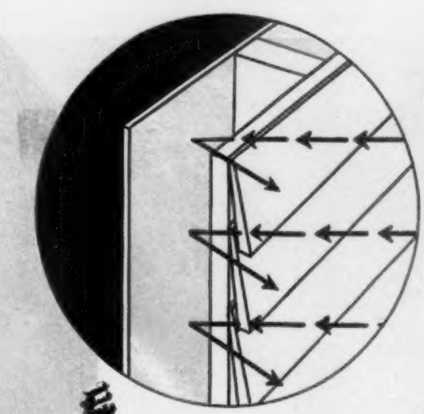
Re-Designed, this feather weight iron . . . weighs only 3 lbs. Has better heat conductivity because sole and pressure plate are made of a single Alcoa Aluminum Casting, with heat unit cast as insert.

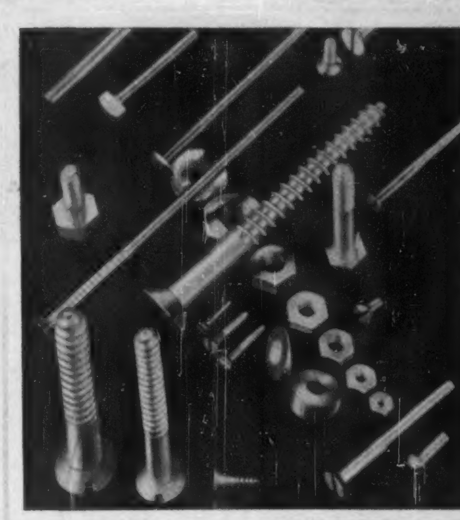


Railroad Re-Design...smart, modern . . . The Autotram . . . America's first streamlined automotive type railroad car for *main* line operation. Underframe, body frame, roof structure, body sides, interior panels and trim made of the light, strong alloys of Alcoa Aluminum. Sixty feet long . . . seats 42 passengers . . . operates with an automobile type engine . . . weighs only 30,000 lbs.

*What Customers want . . . is the reason for the vast shift to* ALCOA ALUMINUM

Maker of Wallboard re-designs it . . . using Alcoa Aluminum Foil. *Foiled*-wallboard insulates, because heat bounces back from the bright surface of the foil . . . stays *inside* the structure in Winter . . . stays *outside* in Summer.

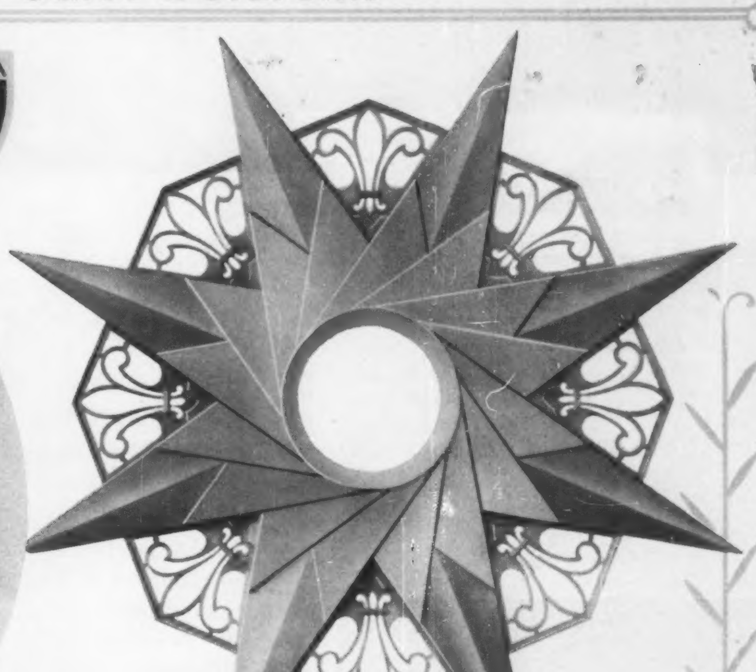


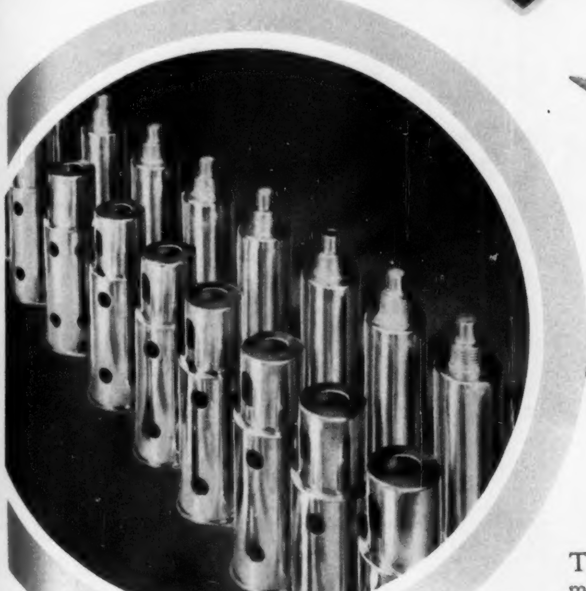


Screws, Buttons, Bolts, Nuts made of Alcoa Aluminum, are the equal in strength of other metals commonly used, but only ⅓ as heavy . . . perfect in fit . . . resistant to corrosion.

# Product Re-Design, using Alcoa Aluminum, has pulled many Products out of Sales Doldrums

ALCOA ALUMINUM





Thanks to Alcoa Aluminum this ornamental octagonal lobby light . . . *is light.* It measures 10 feet across . . . and the cast aluminum plates were filed, polished to a satin finish and lacquered.

In the front. Chimney shields for the newest Radio Tubes made of Alcoa Aluminum meet needs of rigidity, springiness, and smart appearance. In the back. Alcoa Aluminum Extruded Cans for Radio Electrolytic Condensers . . . Shape cannot be obtained economically except by impact extrusion process . . . threaded neck means easy mounting.

Using the many light, strong alloys of Alcoa Aluminum it is possible to secure great strength with extreme lightness . . . to get a metal that is highly resistant to corrosion . . . that is bright and an excellent conductor of heat and electricity. Cost is low compared to other metals not possessing *all* these specific advantages. Quick delivery from warehouse stock in principal cities. Ask for the name of your nearest distributor. For information on how to use, form or handle Alcoa Aluminum in any way write us. ALUMINUM COMPANY *of* AMERICA; 2425D Oliver Building, PITTSBURGH, PENNSYLVANIA.

*(Continued from page 32)*
ness of mortgage lenders to get money out on investment. There was strong competition among them for mortgage loans. They put up the money without protest. Their complaints about the past sins of the real estate business are pretty much a proposition of the pot calling the kettle black. We're all parties to a result that we all feel."

Another angle of this same line of thought has to do with the relations of the lending agencies with the people from whom they obtained the money subsequently loaned on home mortgages.

"If there were high-pressure methods in the real estate field," said a commercial banker whose institution holds very few mortgage loans, "there also were high-pressure methods in stimulating the flow of money into the channels of mortgage investment. To attract funds, lending institutions gradually drifted into making to their customers representations not strictly consistent with the business of lending on mortgages. They did it in good faith. Not one man in a hundred recognized the change which was going on, but it was taking place nevertheless.

### Money tied up in mortgages

"FOR example, take the building and loan associations. The buyer of shares in the old neighborhood mutual association knew that his money was being tied up in mortgages for a long time, was eminently safe, and was serving a useful purpose. He also knew that if he wanted to sell his shares, he might have to wait for some time, perhaps months, before repayments on mortgages had amounted to enough to permit him to withdraw his capital. Hence, he put into building and loan associations only such money as he was willing to leave there indefinitely. On that basis no one had any false expectations.

"As time went on, however, the associations sought to stimulate more rapid growth by advertising, or at least allowing people to believe, that funds invested in such organizations were virtually the same as savings deposits in a commercial bank. Attracted by a rate of five per cent or six per cent as against the commercial banks' savings rate of three per cent or four per cent, people put in their money on the assumption that they could withdraw it on demand. That is the source of most of the current difficulties of the associations. While thoroughly solvent by any ordinary test, they cannot finance a large stream of withdrawals from the slow trickle of funds that flows back from ten-year mortgages."

A similar change, he indicated, had taken place in the affairs of life insurance companies.

"People used to buy straight life insurance policies for one purpose—to protect their families from loss of income in case of death. Such policies had low reserves and low cash values. People were reluctant to borrow against them, considering their insurance values as funds held in trust for their families. Partly because the cash values were relatively small, partly because people were unwilling to borrow on them, life insurance companies had relatively small cash demands made upon them. Under those circumstances, long-term mortgages were an ideal investment for insurance companies.

### Insurance for investment

"THAT condition, however, gradually changed. To facilitate growth, the companies made increasingly attractive the policies that had not only the protection feature but investment features as well. People put into these new policies not only the funds they ordinarily would use for life insurance premiums, but also additional funds which they regarded as investments *subject to call in case of need*. Thus, an increasing proportion of company assets began to represent funds which their owners regarded as callable investments and which they did not hesitate to demand in cash. Mortgages are scarcely suited to investment of funds which can be demanded on short notice. Accordingly, the insurance funds which might have cushioned the difficulties of mortgage refinancing have been needed by the companies to meet the demands of their own policyholders."

When one seeks to size up the probable outcome of the home mortgage situation, he soon encounters two divergent schools of thought. They approach the problem from different ends. For want of a better distinction, one might be called the practical approach, the other the political. They have little in common. Both need to be understood, however, for the probable course of events seems likely to embrace elements of both.

The essence of the political approach is substitution of governmental action for the ordinary processes by which lenders and borrowers have met comparable situations in the past. It assumes that these processes are inadequate, that they mean unduly harsh treatment of distressed borrowers, and that "the general welfare" requires governmental credit relief on a scale never before contemplated. This point of view places primary, if not exclusive, emphasis upon the immediate easing of the mortgage debtor's plight. This would be accomplished by such measures as a federal moratorium on foreclosures, a federal decree cutting mortgage interest rates, federal loans to finance payment of delinquent property taxes and other liens, and federal refinancing of mortgages.

The political point of view and the proposed measures to which it leads have support from two principal groups. One is made up of men in public office who, either out of sincere solicitude for those burdened with mortgages or out of a shrewd sense of where votes can be caught in the next election, vie to outdo each other in gilding the lily of home ownership at every public opportunity. So long as a proposed bill can be held up as evidence of a desire to "benefit the small home owner," it matters little if at the same time it would bankrupt the Federal Treasury or reduce the majority of lending institutions to insolvency. The political technique for dealing with mortgage debtors now is the same as that used in dealing with ex-service men after the war, with the highway enthusiasts in the middle '20's, and with the farmers in 1929—to stand at the door of the Treasury and beckon to all comers.

Also supporting this philosophy are interests which, at least temporarily, find it to their advantage. These include some home buyers whose equities are endangered; a few mortgage lenders who wish to be rescued from the consequences of fair-weather lending practices; those real estate brokers who desire a quick revival of realty activity at any cost, and some construction and building supply people who want a home-building market created to absorb their products.

### Individual adjustments

CONTRASTED with this painting of unreal ships on unreal oceans is the practical point of view of men long experienced in handling mortgage problems, such as the officers of life insurance companies and savings banks, veteran building and loan executives and private mortgage lenders. They believe that established processes should be—and in the long run will have to be—relied upon to produce such adjustments as may be necessary between lenders and individual borrowers. Each case, as they see it, should be worked out on its own set of facts. Their policy is one of gradual progress by normal methods, with primary emphasis upon ultimate improvement of the situation as a whole rather than upon immediate alleviation of one group at the expense of another.

Men of this turn of mind have little patience with the political posturing about home ownership. They are convinced that the Government should do nothing directly and little indirectly. Not only as a matter of principle but also as a matter of confining governmental action to measures likely to have practical value, they believe the Government already has gone as far as it conceivably should go, and perhaps further than a wise regard for precedents would justify. In establish-

ing the Federal Home Loan Bank System and in making Reconstruction Finance Corporation funds available to mortgage institutions, they say that the Government has done everything required to avert unnecessary foreclosures, prevent unduly harsh treatment of temporarily distressed borrowers, and assure lending institutions against insolvency which might follow their granting of time extensions to borrowers.

### Policyholders and depositors

NO DOUBT the plight of distressed debtors is touching, it is pointed out, but do not the 68,000,000 life insurance policyholders, and the additional millions of depositors in savings banks and building and loan associations also deserve more than casual consideration? Those people entrusted their savings to the sanctity of mortgages and other private contracts. In the last analysis, they —and not the institutions which happen to be the repositories of their funds —are the real mortgage lenders. The collapse of real estate values and of borrowers' income may compel these mortgage holders to postpone repayment of mortgage principal, or to sustain temporary reductions of interest income. But such concessions on their part should result from their own action, and not from the sentimental meddling of those who propose to be generous with money and property rights which do not belong to them.

"The irony of the situation," remarked one insurance company president, "is that the home buyer and mortgage borrower are being harmed more, both immediately and in the long run, by the irresponsible talk about lifting their burdens than by any other one thing.

"Talk about drastic governmental measures only keeps the situation in an uproar. So long as there seems to be a chance that the Government will absorb lenders' losses, no lender is going to reach an adjustment with a particular borrower. So long as the borrowers think there is a chance of Uncle Sam shaking the Christmas tree, they won't exert themselves to the limit of their own resources. On both sides, initiative is destroyed.

"But that is only the beginning. We have some mortgages which are delinquent, but we are not foreclosing them except where owners abandon their property. We can work along with borrowers, trying every sort of arrangement, so long as we know we can foreclose on short notice whenever a borrower quits playing fair. But if we thought Congress was going to declare a mortgage moratorium, we would foreclose every delinquent loan immediately to get title before this suspension of payments became effective.

"We talk about money being idle or hoarded. There is plenty of it, many times more than enough to relieve this pressure upon borrowers to refinance their mortgages. But will a sane person make a new mortgage loan when Congress is talking about a moratorium which would tie up his principal, and about decrees which would deprive him of part of his contracted interest?

"The really tragic effect, though, is over the long run. When one talks about federal relief for home mortgages, he is practically saying that home ownership cannot pay its way, that there is not the security for home mortgages that we always have believed. Of course, despite all such loose talk, not more than ten per cent of the home mortgages—in our company it is less than five per cent—are delinquent or likely to become delinquent. Yet, to make a political play of helping that small fraction, some people will say things that drive money away from all home mortgage investment.

### A moratorium on talk

"THE only moratorium we need in this field," he concluded, "is a moratorium on sentimental talk about government intervention in home mortgages."

Recent events foreshadow the means by which the situation will work itself out, provided radical governmental action is withheld. Primarily because lenders can make better adjustments with present owners than they can by foreclosure and resale, foreclosures appear to be declining. In some regions—as in the New York metropolitan area —interest rates are being temporarily reduced and loans are being extended for from three to five years. That is a salutary process. Likewise the phase of an excessive supply of properties being forced for sale on a declining market appears largely to have run its course.

A corporation formed not long ago in New York—the Realty Stabilization Corporation—is a venture in a corrective direction. In cases where borrowers will agree to revised schedules of payment and lenders to temporary reduction of interest rates and renewal of principal for three or five years, the Corporation is affording refinancing facilities. The expectation is that it will make some use of funds from the Reconstruction Finance Corporation.

A summary has elements of both light and shade. Take the latter first.

In extreme cases, further foreclosures probably are inevitable. For some time many home owners will be carrying mortgages whose payments represent an uncomfortably large proportion of family income. Because lending institutions will have to write off losses and generally strengthen their own position, it may be several years before there is again a free flow of mortgage funds to finance new building construction. With real estate values becoming stabilized at levels far under the cost of building new structures at present prices for labor and materials, the stimulus for large-scale revival of residential construction seems lacking. Certainly that is true until the lifting of the depression stops huddling and sends people once more in search of the housing accommodations to which they formerly were accustomed. Even though state and municipal governmental costs are coming down, thus enabling reduction of taxes, the adjustment in this direction has not yet been proportionate to the decline in property values and the reduction of income from real estate. The real estate tax problem is still far from a satisfactory solution.

Most everyone with whom I have talked seems reconciled to a different type of home-building and home-sale market in the future. Larger down payments, more conservative mortgages, lower ratio of house-purchase payments to family income, lower home investments by families in a given income class, more long-term loans and fewer short-term, all these seem almost certain factors in the future.

On the other hand, there are reasons for believing that the concept of home ownership has been advanced, rather than retarded, by the depression. During the period of turmoil, few people have been more secure from distress than those who had homes that had been bought and paid for. Many people have found mortgage holders far more reasonable and compromising creditors than landlords. For every home buyer who has abandoned his equity, a score have held on.

"America will be the better off for having had this trying experience," recently declared a man for whose canny judgment I long have had respect. "Tomorrow it will be evident that those who have accepted their lot and fought to hold their homes have developed into that type of stalwart citizen who, we thought, had all but vanished. Through home ownership—homes that are fought for and sacrificed for—has come that kind of character which adversity always produces. And our social and political life will be the better because of it."

In some quarters there has been reluctance to discuss problems of home financing realistically, for fear of discouraging people from acquiring homes.

"That is the fear which disturbs me least," said a veteran real estate subdivider. "If there were weaknesses, let's see what they have been, how they happened, and what we shall have to do to prevent them in the future. Never worry about the urge for home ownership. It's not an economic formula, nor one of those tastes which need strong and frequent stimulation. It's a human instinct, and instincts don't change."

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## These folders may help you reduce Accounting Costs still further . . .

1 A quantity and value Stores Record plan by which the requisition is extended and stores ledger posted in one operation. Both are proved in the same operation.

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3 This method simplifies Stores Record work where unit requisitions are not used. Posting media for stores, cost or investment ledgers created as a by-product of extending requisitions.

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# *No Business Can Escape Change*

**NEW conditions, crowding upon us today, bring new needs and, inevitably, new products, processes and methods to meet them. Alert business men are moving forward to supply these new needs of the new times**

**A new container** for bulk merchandise, insulated and refrigerated by either solid carbon dioxide or ice, now permits produce, etc., to go from shipping point to consignee without being taken from the refrigerator. Six such units ride on one flat car. . . .

**Dobbin** has a new competitor in the door-to-door delivery field—a light vehicle with rear-end motor joined to rear wheels in a detachable unit, curb level floor, hand-lever operation. Initial and operating costs are said to be low. . . .

**Extreme accuracy** and long life are indicated in a new alternating-current electric speedometer which has no brushes, flexible shaft or driving gear. . . .

**A new anti-corrosion** device for battery posts consists of a small felt-filled pan fitting around the post under the terminal. Oil-soaked, the felt keeps acid and gas from the terminal. . . .

**One side** of a new trunk opens on the drawer compartment, the opposite side on the hanger section. A turnplate built into the bottom permits the trunk to be turned about easily. . . .

**Wood-flooring** provided with nail-seats—semi-circular cutouts in the tongue—is now available. They make unnecessary the use of a punch to give the nails a final setting. . . .

**There's another** new treatment for canvas, said to render it permanently proof against flame and acid-fumes and, to a high degree, water-, sun- and mildew-proof. . . .

**A new safety device** for automatic gas and oil burners uses the flame itself to complete an electric circuit. Operating through a relay, the device has no moving parts, is said to be immediate in action, positive in response. . . .

**The old ironing board** has a new accessory—a metal sheet to be placed under the pad where it reflects the heat of the iron. It's said to save time, effort and electric current. . . .

**Aid in computing** building values is lent by two new calculators. Cost factors for use with the calculators are issued for the locality in which they are used. . . .

**Forgeries,** raising and padding are prevented by a new pay-roll check system. The unique form of the checks and the method of their distribution and payments supply the safeguards. . . .

**Extreme flexibility** distinguishes a new conveying chain which is said to permit carrying of materials, bottles, packaged goods, etc., anywhere in a plant by one continuous system. . . .

**Colored jars** of molded plastic, water- and oil-proof, acid- and alkali-resisting, are now being offered makers of toilet goods and pharmaceutical preparations. . . .

**A new electric** soldering-iron stand has two cradles for the iron. Placed in one, proper soldering heat is maintained; placed in the other the iron gets the full heat from the line. . . .

**Your dentist** can soon do his drilling without the familiar overhead trappings, flexible shaft, etc. A new drill, slightly larger than a fountain pen, has its motor built into the handle. . . .

**A new,** light sawing vise for thin-wall copper and brass tubing insures square-end cuts through a built-in hack saw guide. . . .

**A new steel** said to be tougher, to have better edge-holding qualities, and to be easier to sharpen than high-speed steel has been developed for use in planer knives. . . .

**It's a long time** between dips with a new writing pen. A hard rubber feed takes enough ink at one dip for extended writing. . . .

**Treated with** a special flexible resinoid material, cloth which is resistant to water, oil, most cleaning compounds is now available. It can be had in metallic finishes, patent leather and printed effects. . . .

**Rubber dishes and other articles are made possible through a new rubber-base plastic compound, odorless, tasteless, heat-resistant**

**A new roller** for road maintenance and other work rides from job to job on its own rubber-tired wheels. Mounted on an eccentric axle arrangement, the wheels are brought into play by lifting the tongue up and over. . . .

**Commercial artists** are offered a new means for obtaining Ben Day effects—a transparent cellulose screen bearing invisible dots. Brushing on a developer makes the dots visible wherever desired. . . .

**There's a new** threat to the shaving mug—a refillable shaving cream dispenser for barber-shop use which ejects a shot of cream into the brush at the push of a plunger. . . .

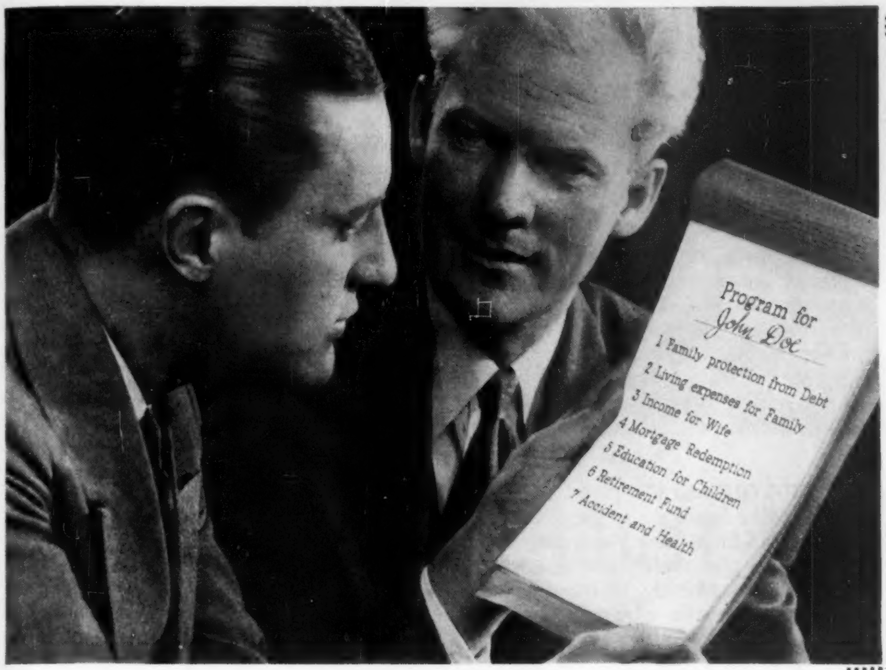
**Motorists** have a new safeguard—a device which stops the motor and sounds the horn continuously for help should the car upset or suffer a severe impact. . . .

**An image** is formed in thin air by a new advertising device consisting of a series of lenses in a narrow metal box. The illusion's said to be so perfect that people try to grasp the image. . . .

—PAUL H. HAYWARD

EDITOR'S NOTE—Material for this page is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business information into our offices in Washington. Further information on any of these items can be had by writing us.

# You are entitled to have an Insurance Program built to fit your own individual needs




WHAT kinds of insurance do you think a man ought to own?

A policy which leaves his family free from debt when he dies?

Insurance which provides a living for his family and payment of a mortgage on the home if they have to go on without him?

A monthly income for his wife for the balance of her life?

An insurance plan which provides for the education of his children? And later on takes care of himself and any who maybe dependent on him in the sunny autumn years of retirement?

Meanwhile, accident and health insurance to tide over uncertainties during money-making years.

* * *

Not every one can put into immediate effect such a well-rounded Program. But almost every one can plan such a Program now, and then make a start.

You have your own problems and are entitled to have a Program built for your particular use. It will cost you no more to own insurance which fits your case perfectly than to buy misfit insurance.

An experienced Metropolitan Field-Man will be glad to help you draw up a Program built to meet your requirements, considering your immediate needs, and keeping in mind your needs which will come later. Send for him. Or use the coupon.

**Metropolitan Life's contracts afford a means to**

—create estates and incomes for families
—pay off mortgages
—educate children
—provide income in the event of retirement
—establish business credits
—stabilize business organizations by indemnifying them against the loss of key-men
—provide group protection for employees covering accident, sickness, old age and death
—provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

Metropolitan Life Insurance Company,
1 Madison Avenue, (N)
New York, N. Y.

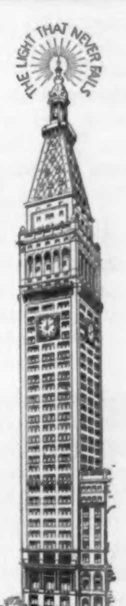
With no obligation on my part, I shall be glad to have further information as to the practical way of building an Insurance Program to meet my needs.

NAME

ADDRESS

CITY

STATE




# METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.



*When writing to* METROPOLITAN LIFE INSURANCE COMPANY *please mention Nation's Business*

# *Developments in Distribution*

## BUSINESS AT A STANDSTILL? Far from it, for whatever indices may show as to the level of trade, business itself is never static, but alive, pulsing, changing

SUPERMARKETS, latest phenomenon in the food-distribution field, spreading from the Middle West and West to the East, are giving chain stores pause, just as the latter did independents. Operating in vacant factory buildings or other structures of large floor area, their formula for success, as given by one typical marketer, is low rents, self-service, weekly turnover of merchandise, and a net profit of one to two per cent on volumes ranging from \$15,000 to \$100,000 weekly. Simplest of fixtures, renting of space on a concession basis to dealers in low-priced clothing, housewares, etc., help to shave overhead. Cornflakes at five cents a package, pork and beans at three cents a can typify the loss leaders which pull crowds. One operator claims to undersell other stores 10 to 15 per cent; outside sources say that the policy of some markets is to sell 20 per cent of volume below cost, 20 per cent at cost, 20 per cent just enough above cost to cover losses on the first 20 per cent.

◆

MANY druggists have steadily expanded their lines, some even to include food items. Now one national voluntary grocery chain is planning to install drug departments in many of its stores. Tooth pastes, cosmetics, patent medicines, toilet water, etc., will be handled, but not prescription items. Another grocery chain is adding both patent drugs and school supplies to its regular line. Then there's an Oklahoma City hardware retailer who has adopted a policy of "having the things people will want and buy regardless of the classification of the article." To date they've wanted and bought from him linens, jewelry, drug sundries, candy, women's sportswear, bedding, fruits, and canned foods.

◆

A FOOD chain has organized a "Homemakers' Reference Committee" to aid it in finding out just what women like and want in foods. The committee will utimately include 750 housewives, chosen from various income groups. Thus a proper balance is expected in committee members' findings, opinions, likes and dislikes, and reactions to tests. Unbiased opinions are expected, since the committee members are unpaid.

◆

BOOKKEEPING by camera has spread from banks to department stores. Originally used by banks to make photographic records of checks, the system is now being used by stores to make miniature photographic copies of accounting records. One store reports that the system has simplified billing operation, has increased billing clerks' production one-third, has saved ledger and carbon paper costs, and has reduced both the equipment and floorspace required for handling accounts.

◆

"SERVE-YOURSELF" plans are beginning to make headway in the department-store field. A large New York store inaugurated such a plan with a line of low-priced women's shoes recently, inviting customers to ask for their own style and size and to do their own fitting.

◆

A CHICAGO department store has added a home improvements and building department and will undertake home repairs and modernization jobs as well as the building of new homes. It will work in close cooperation with a local lumber and fuel dealers' group and a local home financing company.

◆

A HAVANA department store publicizes and sells native Cuban products and also entertains visitors through a typical Cuban village which it has installed on its second floor. Thatched huts, *bodegas* (combination grocery and liquor stores), a tobacco shop, a cockpit, and other native structures flank a central street. American visitors are given both a cocktail and cockfight free, following which they may entertain themselves by inspecting and buying anything from Cuban-made bongo drums to mango jelly.

◆

A BALTIMORE house-to-house bakery has opened more than a dozen stale bread stores. Placed in marketing centers where they do not conflict with the bakery's retail routes, they advertise day-old bread at half-price. Another new twist in bread distribution is the "two-tone" loaf, packaged in a transparent wrapper and consisting half of dark slices and half of white. Still another: An Indiana wholesale bakery delivers its bread in 20-loaf cartons, instead of baskets, thus eliminating handling at the store.

◆

TWENTY-THREE florists in an eastern city subscribed a \$400 advertising fund, sold 2,000 dozen roses in a one-day drive. Ice trucks, florists' trucks, radio and newspapers carried the message, "Spread happiness with Roses," three days in advance; heavy newspaper advertising and florists' window tie-ups appeared a day in advance, and, as the drive opened, down-town florists distributed rose-bud boutonnières in banks, restaurants and stores.

◆

A SLIDING scale of cash discounts put \$20,000 in the till of a Wisconsin glass and china store in less than a month—95 per cent of it from new customers, so far as could be judged from the store's records. In addition to reduced prices during its annual sale the store offered five per cent discount for cash purchases of from \$1 to \$5, 6 per cent for \$5 to \$20 cash purchases, and on up to ten per cent for purchases of \$150 or over.

◆

OLD furniture is accepted as part payment on new through an exchange department recently opened by a Cleveland store. The trade-ins are appraised by the staff at their fair resale values, and the allowances are deducted from the regular selling prices of the new furniture. Sale of the old furniture is handled through a special department and is not expected to compete with new furniture sales, since the old will likely be bought for summer camps, recreation rooms and other uses for which new furniture would not have been bought anyway.

◆

LATEST manifestation of the private brand is in the cigarette field. One chain is marketing its own brand of smokes. The original price of ten cents was cut to nine when 15 cent brands were reduced.

◆

SEVERAL companies are adding nose appeal to their products. Perfumed hosiery and paints have been on the market for some time. Newer arrivals include scented inks in a variety of delicate shades and pine-scented coal which "gives your home a pleasant and healthful odor and also acts as a cold preventive."

◆

ICE CREAM dealers can now offer ice-cream sundaes to customers who buy bulk ice cream for home consumption. A new carton with an additional removable container at the top for syrup or sauce makes it possible.

◆

THERE'S no escaping these advertising men. Now they're planning to print advertisements on the cardboards around which your laundryman folds your shirts.

—PAUL H. HAYWARD

EDITOR'S NOTE—Further information on any of these items can be had by writing us.

# "We must LICK DETAIL or detail will lick us...

## *and that's* DANGEROUS BUSINESS"

**DANGEROUS—**
*Riding an unbroken bronc is like riding a cyclone—or a business that's not under control. It's dangerous business.*

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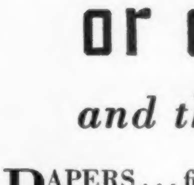

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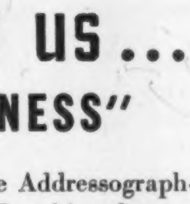

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# The Farm Acreage Leasing Plan

By DELOS L. JAMES, Asst. Mgr. Agricultural Service Dept., U. S. Chamber

**ONE of the agricultural relief plans receiving current attention provides for government leasing of farm lands, thus holding these lands from production. Mr. James tells here some of the things which proponents of this plan believe it will accomplish**

CLOSE observers of what has been taking place in the field of agriculture in the past three or four years believe that the farmers' present plight is due principally to an unbalanced relationship between production and demand.

While overexpanded production is the most frequently mentioned cause for the unprecedented decline in farm commodity prices, there is little evidence to support this opinion.

Other factors, such as decreased exports and changes in dietary habits, involving shifts away from wheat and other cereal foods toward green vegetables, sugar and dairy and poultry products, have had their effect but the most depressing influence has been the shrinkage in demand due to a rapidly diminishing consumer buying power.

Regardless of what the causes may be, it is a fact that excessive supplies of certain farm commodities have been accumulating in the past several years. The carryover stocks of wheat for 1932 totalled nearly 365,000,000 bushels as compared with 125,000,000 bushels for 1927. Cotton stocks for 1932 totalled 9,682,000 bales, the largest on record. In 1927 they were only 2,536,000 bales.

This condition results in unfavorable price ratios. It takes from two to five times as many units of farm products to pay for the things the farmer must buy as it took before the World War.

### Improving the farmer's income

A CONTINUANCE of such conditions, it is felt, is certain to have disastrous effects upon our entire economic and social structure. So long as the farmers' purchasing power remains so low it will continue to be a retarding influence in industrial recovery.

In manufacturing, a price less than cost of production sooner or later curtails output. In agriculture, the opposite may be the case. Any price is often better than no income at all.

Under normal conditions, farmers rotate their crops, at times allowing some land to lie fallow, or planting it to soil building crops. In times of depression, however, the farmer plants every available acre with the hope that, even with low prices, he will be able to meet fixed charges such as taxes and interest.

It is to obviate these conditions that the acreage-leasing or fallow-acre plan has been proposed. Under its provisions, the farmer would be offered an incentive to reduce his normally cropped acreage. As a consequence, it is anticipated that the total output would be reduced, thus raising prices somewhat as well as affording an opportunity to use up accumulated surpluses and restoring a better balance between production and demand.

The acreage reduction proposal is based on the idea that effective acreage withdrawals from production for one or two years should be approximately 19,000,000 acres for wheat, 13,000,000 acres for cotton and 16,000,000 for corn.

As an inducement to the general acceptance of the plan by farmers, it is proposed to pay them a four dollar an acre rental for wheat, eight dollars for cotton and five dollars for corn. At these rates, the farmer in many cases would receive a larger net as well as a larger gross return than is now possible. The real benefit, however, it is assumed, would not come from the rental alone but from the higher prices for stocks on hand or crops grown on the reduced acreage resulting from the plan.

The adoption of this plan, if all the acreage reduction provided for were to be carried out, would tend to reduce the wheat crop about 273,000,000 bushels.

This is about 32 per cent of the average domestic crop the past five years, six per cent of the world crop and about 125,000,000 bushels more than our average exports of wheat and wheat flour.

### Surplus would be cut down

THE plan would tend to reduce the cotton crop about 4,333,000 bales or 30 per cent of the average domestic crop of the past five years, 17 per cent of the world crop and 58 per cent of the domestic cotton exports.

It would tend to reduce the domestic corn crop about 400,000,000 bushels—some 15 per cent of the domestic crop, nine per cent of the world crop and 80 per cent of the portion of the corn crop which is shipped out of the county where grown.

If pork and lard were included in the plan, as some have proposed in order that the corn grower who feeds out his crop might be benefited, it would tend to reduce the production of their products about 800,000,000 pounds or about seven per cent of the total production and almost 100 per cent of the exports.

The United States Government would administer the leasing provisions of the plan through its Department of Agriculture. Authority to enter into contracts with the farmer as to acreage involved and rate of rental, should it be decided that a varying schedule of rates would be advisable based on acreage yield, would be vested in the office of the Secretary of Agriculture. Participation in this plan by the farmer would be voluntary.

On the basis of the acreages suggested and the rentals per acre, it is estimated that the total cost would be about $200,000,000 for the three crops, wheat, cotton and corn. If pork products were included, an additional $60,000,000 would be required.

The funds necessary to pay the costs would either have to be appropriated out of general revenues or by special tax to be collected by the processors or handlers on the portion of these crops used in domestic consumption.

# What Kind of Competitor Are You?

## By L. J. DOUGHERTY President, Guaranty Life Insurance Company

**AS chairman of the National Chamber's Trade Association Department Committee, Mr. Dougherty has learned that there are many kinds of business men. His questionnaire should help you determine what kind you are**

UNCLE SAM insists on competition. He made a law some 40 years ago that competitors must fight and he stands by to see that they do.

With this encouragement toward battle, you naturally need lots of blanks and asterisks to describe your competitors.

But what kind of a competitor are you? Are you mentally honest enough and game enough to give yourself a going over or are you one of these great "I ams" who can't or don't dare face your own record? Suppose you fill in the questionnaire on page 48 and see how you rate.

### Check your own qualifications

IT MAY make some money for you and your stockholders—and nobody but you will see the answer.

Now, count up your answers. If you are perfect, the answers are all "yes." If 50 per cent or better are "yes," you'll get by.

If less than 50 per cent of your answers are "yes," your competitors probably consider you a rotten competitor and they are 100 per cent correct.

In that case you are a heavy contributor to the present unfortunate condition of your industry, even though you blame the administration, the weather, or your competitors. You probably believe that one selfish factor in an industry can do a normal business while the rest of the industry is in the dumps.

If you remain in that class you have a fair chance of achieving glory by dragging others down with you. On the other hand, your competitors may be able to cure you by buying you out. The law of the land is with you most of the way, but the law of human decency and horse sense hangs you to the nearest tree.

### Profiting by association

HOWEVER, let's assume that you are willing to change your attitude and improve your business by using your brains. Almost inevitably you'll find some of your competitors eager to do likewise.

If your industry has an association, it will take on new life with your conversion; if it has not, you'd better organize one. A good preliminary is to see that all the competitors have a chance to rate themselves by the chart —privately, of course.

But, you may say, "How do I know that a trade association will help my industry and hence help me?"

You don't know. If you did, you would probably have one already. Profit is a strong incentive. Theodore Roosevelt, Herbert Hoover, bankers, business men, economists, and other authorities have stated that the cooperative idea is the answer to many business problems. But these men have spoken without intimate knowledge of your industry.

Let's admit that your business is "different" and has technical and human intricacies unlike others. Let's assume that you and your competitors have tried to cooperate and your efforts have failed. In other words, let's be hopelessly pessimistic.

### Cooperation can help

BUT we must face facts.

Hundreds of fields of business as well as the public are profiting by cooperation among competitors. Just as no individual factor can prosper when his industry is sick, few industries can prosper when there is a world-wide depression. But many industries have kept out of the red simply because of their cooperative set-up. They are not riotously happy, they do not cheer about their earnings, but neither do they go to the banker for instructions, nor figure that they soon will be in the business cemetery.

An analysis of one of these associations reveals what has been done under adverse conditions:

Theirs is a restricted market.

Their thousand possible customers are all in one line of industry. When that line is slack, their business is slack, and they can do nothing about it.

Their business is subject to tremendous loss through almost unavoidable spoilage.

They are entirely unionized—and their union is constantly after more wages.

### Foreign competition is strong

SIX foreign nations are their competitors; three of them can deliver the product to the United States consumer at prices lower than the domestic cost of production.

The association has less than one-third of the domestic manufacturers in its membership.

The volume of the smallest member is about one-tenth that of the largest.

The executives who attend meetings are normally intelligent men. Only two have had specialized economic or technical educations; several of them rose to their present positions from the workshop. They all like their profits and there isn't a spineless easy mark among them.

The industry to which they sell is badly demoralized. Consequently there is steady and heavy pressure on these men to lower their prices and become demoralized themselves.

So much for basic conditions. Can your industry show more difficult problems?

To be sure, these men will rate today from 20 to 25 affirmatives each on our chart, but that has been a gradual accomplishment.

Here's what the industry has done

# How Do You Stack Up?

| | YES | NO |
|---|---|---|
| 1. Do you know your competitors? | | |
| 2. Have you ever tried to know them? | | |
| 3. Have you a trade association in your industry? | | |
| 4. Have *you* ever tried to organize one? | | |
| 5. If you have one do *you* support it wholeheartedly? | | |
| 6. Do you know your costs? | | |
| 7. Do you know what proportion of the total sales volume of your industry you are getting? | | |
| 8. Do you know what the normal volume of your industry is in relation to its possible production? | | |
| 9. Are the majority of your competitors pretty good fellows? | | |
| 10. Do you believe in standardization of your industry's product for higher quality? | | |
| 11. Do you know what prices your competitors are quoting for their goods? | | |
| 12. Will you furnish accurate information about volume, orders, stocks on hand, production, etc., to an honest central bureau which will publish the figures only in the form of industry compilations, without revealing your figures? | | |
| 13. Do you let your competitors undersell you now and then? | | |
| 14. Would you prefer to sell smaller volume at a profit or large volume at cost or less? | | |
| 15. Do you decline to sell below your costs? | | |
| 16. Do you check reports from salesmen and purchasing agents as to competitors' prices, before meeting those prices? | | |
| 17. If a competitor phoned you regarding a price you had quoted, would you give him an honest answer? | | |
| 18. Do you refuse to give secret rebates? | | |
| 19. Do your competitors consider you a regular fellow? | | |
| 20. Do you refuse to let your salesmen and field men make your prices? | | |
| 21. Do you believe it possible for competitors to cooperate without doing unlawful things? | | |
| 22. Do you know of industries that have constructive competition without price agreements? | | |
| 23. Would you insist on individual freedom of action regardless of the other fellow's policy? | | |
| 24. Do you concede that other industries have problems as complex as those of your industry? | | |
| 25. Are the collective brain and common sense of your industry equal to those of most industries? | | |
| 26. Are you reasonably honest with yourself? | | |

and is doing in trying to better its conditions:

Continually improved the product.

Paid wages far above similar industries.

Kept a reasonably stable market.

Standardized the product.

Built up statistics so that every one knows the facts which he needs in conducting his business.

Staggered employment to keep more men on the pay roll.

Cut down the number of working days.

Presented a united front to unreasonable labor aggression.

Kept out of the red as an industry.

Obtained tariff protection on the basis of honest data.

Learned to keep accurate costs.

Withstood several intensive investigations without secret files or any "covering up"—with no attacks by Government.

Conducted extensive research for the more efficient use of the product by the consumer.

Preserved individual freedom of action as to prices.

Saved much profanity and loss of temper when referring to competitors.

The reasons for this success are not difficult to find.

Members have learned to know and respect each other. Each one has had to be patient and tolerant, but it has paid—in real money.

Each one supports the association activity. If he misses a meeting there's a good reason.

## Better business for all

THEY haye not only learned to keep costs, but they use them.

Each one knows the vital facts of his industry. If his own business falls off, he sees that the industry volume has also receded.

He has brains enough not to stage a price war to keep top volume.

Each one has contributed to standardization of the product, voluntarily helping to raise quality rather than seeking advantage through inferior products at lower prices.

Each one knows about what prices his competitors are quoting; he is not easy prey for the chiseling purchasing agent.

Each one contributes current statistics to a central bureau; individual figures are not revealed, but each member gets a consolidated monthly report showing the total association orders, shipments, prices, stocks on hand, production and unfilled orders.

Thus each one knows the vital facts of his industry and is able to conduct his business intelligently.

Each one realizes that there are times when a competitor must cut prices, or offer unusual inducements. Incidents of

this sort are not, therefore, the signal for a wild price war.

None of them is convinced that he should have the largest volume in the industry, regardless of conditions.

Each of them has learned to let an order go elsewhere when the price is below his cost.

Each has learned by experience and statistics that purchasing agents often take liberties with the truth about prices quoted. They have learned to check wild statements with each other rather than meet prices that exist only in the purchaser's effort to chisel.

Each one will answer a query from his competitor without stalling or lying.

None of them allow salesmen to make their prices—they consider that an executive function.

None of them give secret rebates, bribe customers' employees, or indulge in other "smart" tricks of that sort.

Each is free to quote or get any price he wishes, sell any customer who looks good to him, or go into any territory that pleases him.

### Give sincere cooperation

ALL contribute accurate, honest data regarding chronic kickers, poor credit risks, the raw material trend, labor supply, foreign competition, the chiseling tactics of buyers, and other mutually profitable information.

They don't send clerks to meetings. Responsible executives come prepared to act for their companies.

Golf and other diversions in season have been an important factor in getting acquainted and learning that the competitor does not necessarily have horns and a tail.

The experience of this group is a clean cut rebuttal of the idea that competitors cannot become friends, or at least very friendly enemies.

No doubt there are self-appointed saviors of the "deer peepul" and advocates of competition to the death who would view with alarm such friendliness. A few of the "elder statesmen" in the legal profession might, with less noise but more sincerity, opine that anything less than hate leads to collusion, but our Supreme Court has so far declined to make such a ruling.

So, you embattled seekers for almost any legitimate means to better business, give your own qualities as a competitor a thorough and impartial inspection according to the chart. Don't cheat—you're playing solitaire. Prepare to meet your competitors as men with problems common to all of you—not as congenital enemies. See if you can't get them to lay aside the tomahawk and smoke the pipe of peace.

How about it? Will you help in this campaign? Have you the nerve to shoot the works for better business? Others have done it—it's your move.

# New Relief for Debtors

A NEW attitude toward debt adjustments is indicated in the passage of the emergency bankruptcy reform bill. By the addition of this new chapter to the federal bankruptcy laws, individuals may much more easily obtain a moratorium or a scaling down of their debts. Special "conciliation commissioners" are provided to assist farmers in effecting financial adjustments. Special provisions also are made for railroad reorganizations, under wide powers granted to the Interstate Commerce Commission and the courts.

Known as the Hastings Act, the measure sets up new machinery under which individuals can obtain extensions or readjustments; and railroads can readjust their capital structures to avoid the inefficiency, delay and expense of receiverships in equity.

Under this new law an individual debtor who can obtain the consent of a majority of his secured and unsecured creditors holding a majority of the amount of the indebtedness may obtain an extension or scaling down of his obligation with the approval of the federal courts.

A farm debtor could either proceed under that method or band together with fourteen other farmers in his county to obtain similar relief through the appointment by the courts of a conciliation commissioner.

Under the railroad provisions, carriers seeking to avoid equity receivership could petition the courts and the Interstate Commerce Commission for permission to reorganize their financial set-ups, providing they obtain an agreement with a certain percentage of their creditors.

### Corporations excluded

CORPORATIONS, excepting railroads, are not within the scope of the act. The amendment providing for their inclusion was withdrawn when it appeared that debate on that feature would be so long as to endanger passage of other provisions. The bill is a compromise of many points of view among members of Congress, the Solicitor General and his aides in the Attorney General's office, and the legislative committee of the Interstate Commerce Commission.

President Hoover in two messages to Congress urged reforms of the bankruptcy laws, but his message in January asked for "emergency action." The purpose of the modification, as the President pointed out, is to provide for the relief of debtors through adjustments which "carry no stigma of an adjudication in bankruptcy," and to prevent minor creditors from forcing the hand of the majority "in the hope that the fear of ruinous liquidation will induce the immediate settlement of their claims."

The movement for a change in the existing laws was accelerated by the plight of individuals and corporations caught in commitments which a change in conditions made disastrous. Foreclosure and bankruptcy sale of the assets of individuals and corporate debtors who, through no fault of their own, are unable in the present emergency to provide for the payment of their debts in the ordinary course as they mature, the President declared, "is utterly destructive of the interest of debtors and creditors alike and, if this process is allowed to take its usual course, misery will be suffered by thousands without substantial gain to their creditors, who insist upon liquidation and foreclosures in the vain hope of collecting their claims."

### Assets have been wasted

A WASTEFULNESS of assets, both moral and material, was charged against the existing laws and their administration. In many instances, it was said in the hearings and the debate on the bill, the bankruptcy laws have compelled liquidation under circumstances utterly demoralizing to the interests of debtor and creditor alike. In as many other instances, through the threat of forced liquidation, a reckless waste of assets was encouraged in advance of bankruptcy, but long after business failure had become inevitable. It was also charged that the old procedure countenanced extravagant and inefficient receiverships, and the grant of full discharge of debts without sufficient inquiry into the conduct of the bankrupt or the causes of failure.

Some indication of the importance of the subject is revealed by statistics for the years 1925 to 1930, which show that, in that period, more than $3,000,000,000 was lost through bankruptcy in the United States. For the past two years the loss has amounted to almost a billion dollars annually.

Under the old law, relief to debtors was contemplated only when there existed a condition of insolvency—when assets were less than liabilities. The new law enables debtors to obtain an extension of time for payment and a scaling down of debts when the debtor is embarrassed because of inability to meet his debts as they mature even though the value of his assets is greater than his liabilities.—R. W.

# I Found No Revolution in Iowa

*(Continued from page 16)*

fidence in the banks is badly shaken, I don't know. Most people seemed to think bankers were doing the best they could. There was some talk of guarantees for bank deposits.

One business man blamed bank troubles on the law making Reconstruction Finance Corporation loans public. When people learned that their bank had had to borrow, silent runs resulted. Another business man—not a Boone County resident—verified this. He sells oil burners.

His men had installed a burner in a farm house, he told me. When they came upstairs the farmer asked how much he owed them. They told him. He pulled down the curtains and went into another room. When he returned he handed them four $100 bills for payment in full.

From what I learned elsewhere that can't be very common. Professional men told me of accepting chickens and eggs from people who wanted to pay but had no cash. Boone is trying to meet the need for money with a scrip plan which went into effect a day or so before I was there. The city is issuing $1,000 worth of certificates in $100 lots. It goes originally to men working on the community wood pile. Each holder—except those on the wood pile—must put on a three cent stamp issued by the city when he spends the certificate. When a scrip bill has changed hands 36 times the city will redeem it for cash. Several other towns have similar plans.

Some of the farmers have been able to get some money from a federal lending agency. I talked to one whose loan had been refused. He didn't like the agency anyhow. It would have charged him seven per cent interest.

"And," he said, "the Government can borrow money for one and a half per cent."

He wanted the money to buy cattle to feed since he had a great deal of corn and nothing to do with it. He had burned some, he said. It gives more heat than wood but burns fast and you can't bank a corn fire. I understand it was being used in many school houses where there was a janitor to attend the fires constantly.

He laughed at my suggestion that there might be a revolution but declared that, if times didn't get better, "something was going to happen."

We talked about farm picketing and I asked if the men taking part were radicals.

"No," he said, "they were just ordinary fellows."

No picketing was going on at Boone while I was there but the farm holiday movement either originated in the county or was picked up there soon after it started.

I met only one man who remembered much about it. He had bought four chickens from a farm woman for his mother's birthday party dinner. Long after they should have been delivered the woman called him up. The roads were picketed, she said, and she couldn't bring them in.

The picketing went on for several weeks and there was some minor violence. The picketers upset at least one load of cream.

The grand jury indicted two men and the trial jury found them not guilty.

"Which seemed," an attorney interpreted it, "to mean that the farmers were in favor of the picketing."

I don't believe it was widely popular, however.

"I couldn't understand what they expected to gain," one farmer said. "The idea was to hold stuff off the market. That would make the price go up, all right, but as soon as you started selling again, the price would come down."

The Farmers' Holiday Association is still active, however, is holding meetings and adopting resolutions. Some of them were published while I was there. They included demands for a cut of 25 per cent in appropriations to state institutions of learning; abolition of county agents; reduction of the state extension department; inflation of purchasing power and remonetization of silver. They demanded further that Congress issue legal tender instead of the Federal Reserve Board or Wall Street and that the state legislature enact a law giving the cost of production.

### Many different opinions

IOWA farmers are not a unit on all these proposals. The Farm Bureau, for instance, one of the strongest such organizations, is more or less responsible for the county agents. But in the matter of reduced appropriations there is a powerful and active agreement.

Governor Herring has appointed a tax committee for each county and that in Boone has met with every tax collecting agency. The result was a reduction of $154,726.80 in the 1932 levies, payable this year. That is about 17 per cent.

The drive is still going on. Taxes are a live subject and, although there is much complaint about the extravagance of the Federal Government, the battle for reduction is being fought nearer home.

Oddly enough, tax collections are holding up. In January they totalled more than $25,000 about equally divided between current and delinquent levies. The county had no tax sale this year. The day it was scheduled the court house was crowded. The treasurer read one description. Nobody bid. The sale was indefinitely postponed.

### Tax reduction will come

AT THE particular time I was on hand, Boone municipal salaries were under fire. A statement signed by H. T. Cook, of the tax committee, said in part:

> From the appearance of things a majority of the officials do not yet realize or appreciate the seriousness and the permanence of present conditions. Most of us should see that there must be a radical readjustment in city affairs, no matter how much it may offend certain individuals and certain business interest. Costs are getting too high. The people cannot carry the load and it is unfair to expect it of them. I don't believe that those who are footing the bills through taxes and legalized service charges are satisfied to pay higher prices for public service in wages and rates that they paid during the war. If the ability of the people to pay was the same now as then no one would complain but the ability of most of us to pay has about reached the vanishing point and to many it has already vanished.

Boone municipal employees are already donating a per cent of their salaries to help the unemployed. It was with their contributions and the proceeds of a holiday dance that the municipal wood pile was started. In less than two months it had provided temporary work for 481 men. It had also cut down the number of transient unemployed. Once Boone had eight a day. The practice of requiring an hour's work on the woodpile for a meal cut the number to two. I was on the streets most of the time I was in Iowa and nobody asked me for a dime to get a cup of coffee.

Before the scrip plan went into effect, local men on the woodpile received a merchandise order for $2. In the beginning trees in the parks were cut. Then farmers donated the timber. The resulting fuel is given to the unemployed or sold to townspeople. Unemployed truck owners carry the men to the job and deliver the wood.

Most of those on the wood pile, I gather, are railroad men. Of the nearly 2,000 mechanics, officials and trainmen who once worked out of Boone or in the shops there, less than 600 now have jobs. I asked one of those still working how the men felt about the situation. He didn't know. "They don't talk about it much," he said.

I talked to the wife of a fireman who

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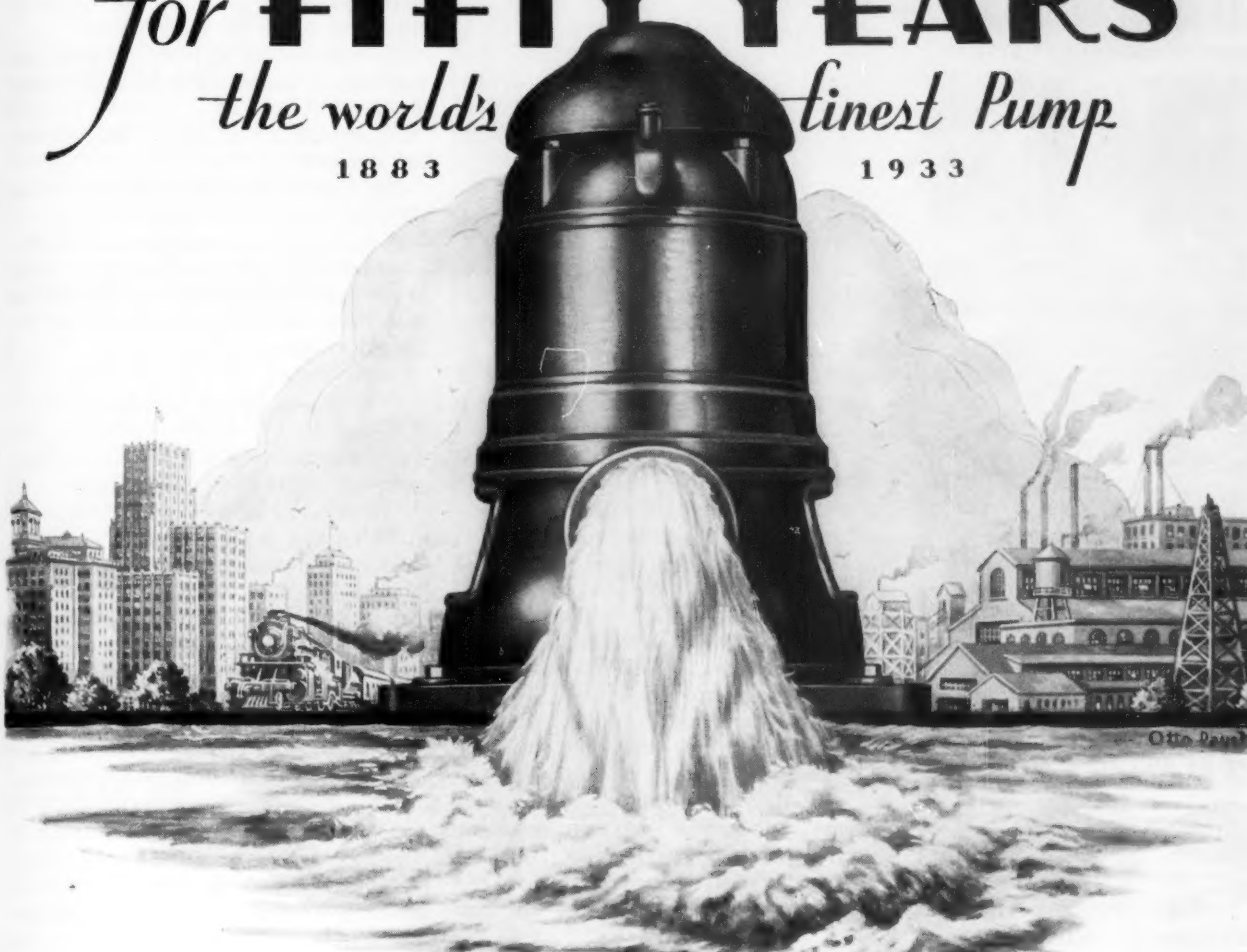


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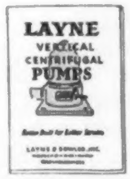


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has been out of work three years. He was working on the wood pile that day. She takes roomers.

"The men crab a little," she said, "but those who are working are awfully good to the unemployed."

In a cigar store where railroad men congregate, I loafed and listened. They were talking railroading. A former shop man, 18 months out of work, told me that's what they always talked.

I found him in a small workshop behind his house sharpening saws for the men on the woodpile.

"I've got time to travel," he told me. "I've been in Fort Dodge, Shenandoah, Des Moines and Council Bluffs and I've talked to the unemployed. They're not radicals. It's the fellows who still have jobs who do the crabbing."

The only resentment, he told me, was against trucks. The railroad men feel that trucks and buses are getting the business which should go to the railroads. Freight shipments through Boone are 30 per cent less than a year ago. Seven passenger trains have been taken off.

"The unemployed," he said, "are getting along."

He himself had had five days work in the past two weeks—on the wood pile, sharpening saws, odd jobs at the water works, fixing some steps in a house.

"And I don't have to work again for 30 days if I don't want to," he said. "When I had a job I lived from pay day to pay day. Now when I get a little money, I'm careful. My wife sent me downtown to buy a peck of potatoes. I got a hundred pounds. They're in the basement. I've got flour and salt and sugar and beans. We had supper the other night and there are six in the family. I had all I wanted. Afterwards we figured that meal cost us 7½ cents.

"When I lost my job I owed more than $200. I owe less than half that now and I've bought my wife that new washing machine over there. Last night we went up town and bought the little fellow a pair of shoes.

"We don't waste anything and we don't go to any shows. But I'm not sore. The fellows who have to worry are the fellows that own property. I don't own anything except my furniture and that's paid for."

"What do the unemployed want?" I asked him.

"They want to work," he said. "Offer these fellows their old jobs at $2 a day and they'll go back to work tomorrow."

In the mines, on the other hand, there is little unemployment. There are fewer miners around Boone than there used to be. I talked to one of them in his home on Sunday morning. Goldfish swam on the table. In the corner was a piano. There were many books. He quoted Walter Lippmann, Bernard Baruch and Norman Thomas. He talked understandingly for inflation.

While I was in Iowa, the miners voted against a pay cut. This will have no immediate results, I was told, because the present agreement has several months to run, but the miners are looking for hard times next summer when the mines close down. Once they could get work with the railroads to tide them over. They can't now.

The miners, he told me, are socialists but when I asked, "Just how socialistic are they?" he smiled.

"They talk," he said. "They voted for Roosevelt."

He himself suggested a dictator as the way out of our difficulties.

A merchant also suggested a dictator. I talked to him for an hour and a half in his store on the town's main street. In that time, one customer came in. He bought a pair of socks.

### Farm prices too low

THE merchant told me that the job, as he sees it, is to fix farm prices.

"If the price of corn should come up to 50 cents a bushel, hogs to six; oats to 60, you would see the difference in 60 days," he said. "If you start the factories first, they'll close in two weeks. But if you give these people some buying power, everybody in the country will need more merchandise."

He pointed to one of his show cases. "That stock of shirts invoices in units about 20 per cent of what it would be in normal times.

"But we can't buy now. It isn't a question of how much you can make. It's how little you can lose. We're losing less than we did because our depreciation is less."

In the thought, "We're losing less than we did," Iowa has courage to face the future.

"Spirits are better than they were," the editor told me. "The general idea is that we have taken our depression and will have better times this year. We are taking care of our poor. There is not nearly the depressed feeling there was during the war. People joke about the depression."

Nor do they talk much about their troubles. They talked to me because I insisted but, I think, many would have preferred not to. Some refused.

I went in one store which used to have five clerks and extra help on Saturday. Now the owners run it themselves.

"How's business?" I asked them.

"Rotten," they said together and changed the subject.

"Do you remember so-and-so? He's in St. Louis now."

There was no whining, no bitterness. No revolution.

All Iowa asks is a chance. It still feels that it will get it. But anyone who sits in a meeting of Iowa farmers will realize that here is a force which, though slow to move, would take a lot of stopping once it started moving.

# Muscle Shoals—Run or Scrap It?

(*Continued from page 22*)

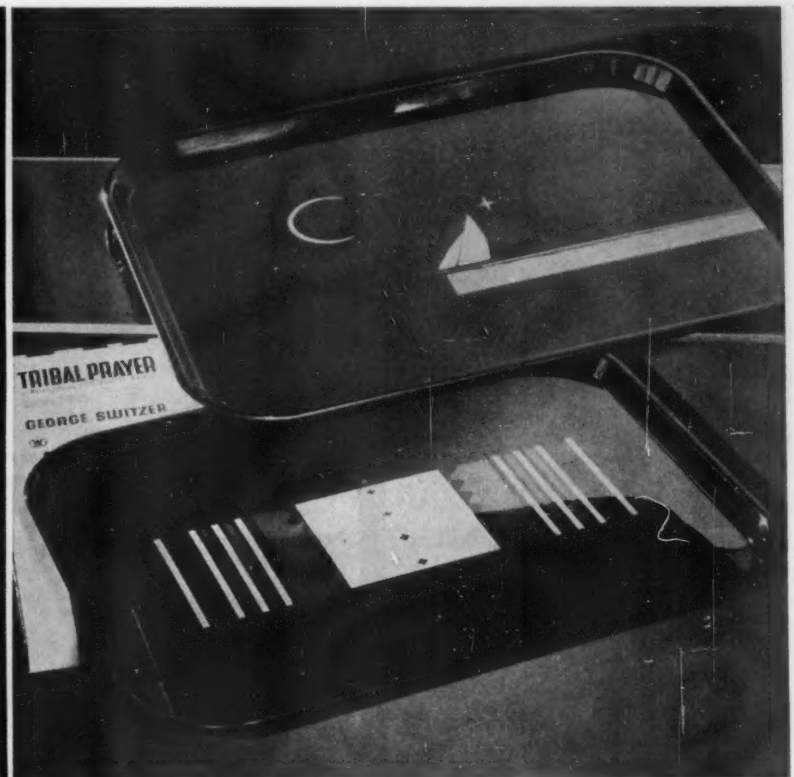
ated power plants with the taxpayer taking the risk; or whether, through government money and self-liquidating projects, there is to be competition with Government and industry sharing the risk—these are matters which the public must soon consider. The final decision is important to the whole country, because of the probable impact on established business enterprise.

The Chamber of Commerce of the United States has maintained for two years "that the Muscle Shoals project should be sold or leased, as is, on the best possible terms." Such disposition is still desirable, economical and in the best interest of the people in that vicinity, as well as the taxpayers of the country at large.

The power at Wilson Dam can be sold in the general market in combination, or in competition, with existing power or sold to industrial enterprise in the immediate vicinity of Muscle Shoals. As for the rest of the Muscle Shoals equipment, including nitrate plants, steam power plant, land, houses, and the like, I submit the following comparison as material for thought.

Just about 100 miles from Muscle Shoals, near Nashville, Tenn., the "Old Hickory" power plant was constructed as a war time measure. Construction began at Old Hickory in 1918 as it did on the Muscle Shoals nitrate plants. Both plants were practically complete when the Armistice was signed. Old Hickory cost the Government $91,000,000. The Muscle Shoals enterprise, exclusive of the Wilson Dam and power plant, cost the Government $80,000,000. The Old Hickory enterprise covered 2,880 acres. It included acid plants and other equipment together with necessities for an ordinary industrial community. The Muscle Shoals enterprise embraces 4,150 acres and includes two nitrogen plants, a steam power plant, industrial trackage, rolling stock, warehouses, sewer and water works, electric light and telephone systems, streets, sidewalks and housing facilities.

Old Hickory was scrapped for $3,500,000 soon after it was built. It was sold to private enterprises and put to practical use. The equipment was converted to produce cellophane and rayon. Woodpulp, crude caustic and coal are the principal raw materials used. The results of nine years' operation of Old Hickory show average annual pay roll $3,250,000; average number employees (70 per cent local) 3,500; average number families, 1,500; average taxes paid $65,000. Year by year, through its




*Micarta Trays—two of five designs—Courtesy Westinghouse Elec. & Mfg. Co.*

*GEORGE SWITZER, 210 Madison Ave., New York, whose effective designs of the trays here illustrated resulted in greatly increased sales. Mr. Switzer is widely recognized for his skill in product designs of sales winning beauty, utility and economy.*

## George Switzer says..

***. . ."The way things look is what makes them sell—85% of all human impressions are gained through the eye". . .***

NUMBERS of manufacturers of utility products, including those of a technical type, are discovering that Mr. Switzer is right. They find that enlisting the creative talent of skilled product designers to add beauty to utility brings a generous return through increased sales.

In designing products with an eye to sales appeal, manufacturers are taking advantage of the inherent beauty, and the economy, of Bakelite Materials—both Molded and Laminated. Whatever your product may be we would be glad to discuss the possibility of using Bakelite Materials to improve design, make selling easier, and profits greater.

In this connection you will find Booklets 1M, "Bakelite Molded" and 1L, "Bakelite Laminated" most interesting. Copies on request.

BAKELITE CORPORATION
247 Park Ave., New York .... 43 East Ohio Street, Chicago
Bakelite Corp. of Canada, Ltd., 163 Dufferin Street, Toronto, Canada

**BAKELITE**

THE MATERIAL OF A THOUSAND USES

*When writing to* BAKELITE CORPORATION *please mention Nation's Business*

operation, men have been employed, useful commodities have been manufactured, taxes have been paid and the country around Nashville has benefited accordingly.

In contrast, Muscle Shoals has been a constant expense by way of interest, up-keep and growing obsolescence. It has consumed weeks and months of congressmen's time annually, and has been no small expense to the Government in the way of publications, investigations, inspections, etc. It is not too late even now to scrap it or to sell or lease it for what it is worth, and clear the way for the larger enterprise if and when the President and Congress see fit to launch it.

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# Lifting Ourselves by Our Bootstraps

*(Continued from page 16)*

pedient could be found. The recent Congress seriously considered a federal moratorium on all farm mortgages, or, failing that, federal refinancing of all delinquent farm mortgages.

On that record of restraint, we are told, we should be assured of our ability to "control" inflation. Our first conscious venture will be rigorously limited, but will the next, and the next and the next?

The end has much to do with our tolerance of the means. We shall inflate to raise commodity prices, naively assuming that such a result would follow. But would it? Business activity based on actual money is only one-tenth of our total activity.

In the United States credit plays a larger part than currency. Credit is simply confidence of one man in another, confidence in the belief that people will go on doing the normal things. Our trouble today is a stagnation of activity in this credit-confidence field, rather than in the cash field.

## Inflation will not help

WHEN a billion was paid in 1931 to veterans, on the promise that it would revive business activity, nothing happened. The pace of business did not quicken. All the money the printing presses might put out will not go to the heart of the matter, which is the restoration of confidence and a return to normal ways of living. On the other hand, such an action would inspire further fear and thus further restrict activity.

The experience of England in going off the gold standard is frequently cited. Well, what happened: England went off gold in September, 1931. The pound has since lost about 31 per cent in its

gold value.

But prices of commodities are still at the 1931 levels. Or consider the case of Canada, where the gold value of money has been decreased by about 13 per cent. The fact is that commodity prices have actually fallen.

The French tried out inflation in the 1790's. We have forgotten the incidents which attended the complete collapse and we have forgotten the aftermath. Amid great excitement on February 18, 1797, in the presence of a great crowd, the machinery, plates and paper for printing assignats were brought to the Place Vendôme and solemnly broken and burned.

It is only ten years ago in Germany that a gold mark, paid for a cigar, brought so much change in currency that it had to be carried away in a market basket. Nobody reminds us of that.

### Who are the debtors?

INSTEAD we are told that inflation would benefit debtors. But who are the debtors? There may be some persons in the United States who owe nobody anything and there may be some who are debtors only. But they are only a small part of the population.

"It would be hard," Walter Lippmann points out, "to find a rich man, for example, who is not in a hundred different ways both a debtor and a creditor. Every banker is both. He is a creditor to those who have borrowed from him but a debtor to his depositors. Every corporation is a debtor to its bondholders, or to banks, or to employees under contract but a creditor to its customers.

Every landlord is creditor and debtor. Every wage earner who has a bank account or an insurance policy or a war pension is a creditor. Every one of the 68,000,000 policyholders is a creditor of the insurance companies.

How, then, can we divide the American people into two groups, saying, "Here are the debtors, there the creditors?"

The complexity of the relationships argues the futility of inflating to help the debtors, no matter how understandable is the desire to lift burdens that seem unbearable, to provide money where there is no money.

But, if that end is worthy, is pre-payment of the bonus any less so, or any less popular politically? If we can pay the bonus, surely we should not be niggardly with the equally deserving human beings who are out of work. Their lot would be made easier by $3,000,000,000 or $4,000,000,000 of direct dole.

If humanity requires hand-outs which produce no enduring return, we would be foolish not to put at least $5,000,000,000 into emergency public works because, after all, they give us some tan-

gible return for our real or fictitious money. And what man who votes such a subsidy for industry and employment will withstand the plea to do something for public education?

And would not a few billion for unemployment insurance, guaranty of bank deposits and purchase of silver be entitled to places well up the line of projects to be financed with rubber dollars? At conservative estimate, $30,-000,000,000 of assorted proposals for largesse are languishing in Congress, blocked by only one circumstance—there is no money to finance them. Let a single little trickle through the dike and it becomes the ocean's entering wedge.

# Making 'For Rent' Signs Obsolete

*(Continued from page 25)*

price, the company was able to sell these homes in competition with newer buildings, at a price which more than returned the modernizing cost.

A group of old five-story buildings in New York, with stores on the ground floor and apartments above, had a maximum annual rental of $9,300. Sixty thousand dollars spent in remodeling brought the annual income to $28,700 after making allowance for increased taxes, increased operating expenses and interest on the additional investment.

A ten-story apartment building in Chicago, eight years old, had an estimated value of $750,000, against which $440,000 in 6½ per cent mortgage bonds had been issued. In 1931 the property defaulted, had a 43 per cent vacancy and the bondholders' protective committee estimated that its value had shrunk to $320,000.

As a result of remodeling and modernizing, the occupancy was increased in six months, while the changes were being made, to 100 per cent. Rentals were maintained at an average of $55 a room above the market, the character of the tenancy was improved, and the building now returns a net income of $50,000 or ten per cent on a $500,000 valuation.

What modernization means in cutting costs in store operation is revealed in the experience of the Rike-Kumler Company of Dayton, Ohio, with the installation of "Sanacoustic Tile" in its main office. C. A. Garties, secretary and treasurer, tells of the benefits:

"The noise previous to the acoustical treatment was terrific. Now one gets the impression that no work is being done, as the clattering of the bookkeeping machines and typewriters is not noticed while walking through the office."

Six months before the acoustical treatment was installed the errors averaged 118 per month. Now the average is 89 per month, a reduction of 24½ per cent. The clerical cost of correcting errors, at an approximated average of 60 cents, represents a saving of $17.40 a month, or $208.80 per year.

But this actual saving in clerical costs does not give a complete picture of the value of the reduction in errors. The daily cost for each person working in the office is less than two cents, and the improved working conditions are worth many times this amount. Increasing the efficiency of the office workers only 0.6 per cent will alone pay for the fixed charges and it is felt their efficiency has been increased many times this.

Recognizing the need and the value of quiet for office workers, the Western Union Telegraph Company thoroughly investigated the problem of noise elimination and control, and began installing acoustical treatment in its offices as early as 1914. In the telephone room at the office in Cleveland, tests, made before and after the Johns-Manville acoustical treatment was applied, proved that the number of errors in messages was reduced 42 per cent, and the cost of handling each message in that room cut 3.05 per cent. The annual savings represent a net annual return of 67 per cent on the investment.

### Lighting helps sales

THAT modern lighting installations in stores and window displays are good salesmen is fairly obvious. An accent of novelty marks the conclusion advanced by the Benjamin Electric Company that trade fluctuates much more with the amount of artificial light used in daytime than it does at night. It reports:

Several gas stations in Texas were carefully selected for the tests. These stations were adequately lighted according to the latest accepted standards. For 30 days the business done by these well lighted stations was checked. Then the lights were cut down to a point that left them obviously underlighted. Again business was checked over a 30-day period. The average decline per station during the badly lighted period was 25 per cent.

The result astounded even those who were conducting the test. They wanted more information. So they went back and lighted all the semi-darkened stations to the original standard. They checked gallonage again. During the 30 days the stations climbed right back to where they were at first—a 25 per cent increase. Then to make absolutely certain they were right, the investigators again cut down the lights. Again they watched results for a month, and again the average decline was 25 per cent.

This was enough—it convinced the operating company that it could not afford to operate poorly lighted stations. But we haven't yet mentioned the most significant result of these tests. Consider this. The increase or decrease in the volume through these stations, as the amount of light was

fluctuated back and forth, did not take place during the hours of darkness but in the daytime.

Three projects involving the modernization of office buildings help to make the case for economy with a geographical variety. In 1927 the 18-story Keenan building in Pittsburgh changed hands. Directly across the street a new building was being constructed. The new owner realized that, when this new building was completed, he would probably lose from 40 to 50 per cent of his tenants. He decided to modernize the elevators and to dress up and rearrange the lobby. Modernization of the offices throughout the building was also planned. The cost of this modernization was approximately $50,000.

### 80 to 85 per cent rented

AS A result, the building was 80 to 85 per cent rented when the new owner took possession, and since the elevators were modernized by the Otis Company it has not been below 95 per cent. This record was maintained despite the fact that new buildings erected in Pittsburgh since 1927 have more than doubled the rentable office space. The rate per square foot is the same being paid in newer buildings. The saving in operating cost is estimated at $250 a month.

The owner of the six-story Minahan Building, in Green Bay, Wis., faced a similar problem. It was erected in 1907. Competition from other buildings, and the desire to raise the standard of his building, caused the owner to modernize. The elevator replacement amounted to $16,000. Other modernization work brought the total to about $50,000. A 20 per cent increase in the operating efficiency of the elevators is reported, and a ten per cent increase in building revenue. Tenancy has increased between ten and 13 per cent. The existing rental schedule was maintained and in some instances, increased rentals were obtained.

A western example is provided by the nine-story Pacific Building in San Francisco. It was erected in 1907 in the heart of San Francisco's retail shopping district. The tenants are mostly of the commercial class. The competition of newer buildings, together with the run-down condition of this building convinced the owners that modernization was the way to salvation. The elevator work, constituting the greater part of the program, amounted to $68,000. Men's lavatories were also rebuilt; the building was redecorated; new lighting and plumbing fixtures were installed; corridor marble bases were replaced; terrazzo floors were repaired and reground, and about 75 per cent of the linoleum floor coverings were replaced.

As a consequence, the building manager was able to report a 20 per cent increase in revenue from the office part of the building for the period of Sep-

tember, 1929, to December, 1930; that is, from the completion of the modernization work until the first effects of adverse business conditions were felt. A 15 per cent increase in total occupancy was reported for this same period. The building manager also reports that the schedule of rentals has been maintained, and that the fire insurance premiums were reduced when the elevator hoistways were enclosed.

Meanwhile, there is undoubtedly a large field for the improvement and modernization of houses. The cost of building materials is far below previous post-war levels.

The savings possible at this particular time, as the *Index* of the New York Trust Company suggests, are so attractive that, in many cities, notably Philadelphia and Rochester, Portland, Ore., and Greensboro, N. C., Washington, and Elmira, N. Y., renovation has become established as an effective weapon against unemployment. Capital wisely employed for the repair and modernization of old buildings is not only a good investment, but gives greater certainty to rental income to cover fixed charges.

### Making inexpensive improvements

ONE of the largest banks in Cleveland is said to employ an architect who makes a survey of the older houses upon which it has loans.

In those cases where properties have been taken in at foreclosure, he suggests changes such as a new porch, change of cornice or roof line, and painting; on the interior, a partition moved here and there to change the size or number of rooms, additional closet space, improved refrigeration, a breakfast room, modern electric fixtures and outlets, possibly a new heating plant and modern bathroom equipment. The architect then makes drawings and specifications for these changes and, according to a paper read by A. D. Fraser to a convention of the National Association of Real Estate Boards, "It is surprising at what little expense favorable results can be accomplished."

A house in the State of New York built 50 years ago had been renting at $50 a month, the Kohler Company reports. The property became vacant and was finally sold for $7,500. The purchaser spent $10,500 in changing the building to a modern, four-family apartment which now brings a net return of 15 per cent on his total investment.

While some individual owners realize that this is the time to modernize and others may be persuaded to do so, the case with insurance companies, banks, trust companies, mortgage companies, individual mortgage holders, and others is different.

Having been forced to repossess properties they find the one thing requisite either to reselling or renting them is to rehabilitate and modernize.

### Economies by building changes

SPENDING money to make savings is conspicuously exemplified in the industrial field.

The wealth of its object lessons argues the alertness of managements forced to match the constriction of sales volume with internal economies. Serviceability of buildings naturally figures in these budgetary explorations. The Austin Company reports that a western paint concern built a new plant to manufacture a new product which was formerly inefficiently manufactured in widely separated buildings. The new building and new equipment cost approximately half a million dollars. Results: lower manufacturing costs, better control, faster production and better quality.

Another large paint concern with headquarters in the Central West is building a new branch plant on the West Coast in which it can manufacture and distribute its products at a lower cost and more efficiently through its own plant than it formerly did in leased quarters not well located or arranged.

One of the Austin Company's customers in the glass manufacturing business, it explains, recently bought a small competitive concern which was in difficulty, "but whose plant was well located to serve a specific territory which could not be well handled previously by our client. Our client immediately remodeled and rebuilt vital parts of the plant, making better working conditions, cutting the cost, reducing inventory, expediting shipments."

How the depression can be turned to good account by regarding it more as opportunity than as ordeal is pertinently revealed by the Bakelite Corporation.

"We decided to abandon the old plants and set ourselves up in a new one, better equipped and laid out. We purchased land at Bound Brook, N. J., and completed a new plant at a cost of $2,800,000, which was paid for out of our surplus. Last spring we closed out our other two plants.

"It might be in order to explain more fully the advantages of the change. Our old plants had grown like Topsy, and changes were difficult, expensive, and not wholly satisfactory. We are now able to meet orders more expeditiously and to manufacture currently at an annual saving of $250,000. With increased orders, this saving would be greater. The savings mentioned include carrying charges on the Perth Amboy plant which we still own. We built our new plant during the depression, which made it possible to obtain contracts and purchase equipment at relatively lower cost."

While the issue of first cost may seem

paramount, there is a demonstrable thrift in expenditures which accomplish realistic savings.

The Grinnell Company, for instance, is prepared to prove that thousands of industrial and commercial, and even large institutional buildings can install automatic sprinkler equipments to earn 20 to 40 per cent on the investment necessary to buy the equipment.

"Not long ago," the company adds, "the chief engineer of our heating and power division investigated ten piping modernization projects in which we had been interested during the last year or so.

"In one of them, for example, an $800 expenditure brought a yearly saving of $289. In another, a miscellaneous group of piping improvements were made and the savings were expected to pay for the improvements in two years."

The essence of the argument for modernization is the self-interest which tries to protect the investment. The wise property owner knows that reconditioning increases the value of his holdings more than the money used. Certainly the impulse to make old things do will not do in the commercial field. Nor will the depression account for all the losses of tenants and customers and profits. There are just as many people with wants to be satisfied. Patronage may be lost, but potential prospects in the various price groups, never. While the laggard hesitates, the progressive makes a partner of change.

### Advantages in competition

AIR conditioning gave an immediate advantage to many theaters, restaurants, stores, and office buildings.

Heating improvements offer savings of 20 per cent to 40 per cent of fuel costs. Piping advances make it possible for processing industries to buy their chemicals in tank car lots.

Scientific lighting is its own invitation to use other modern equipment, as witness the Holophane Company's installations for the Liggett Company, the John Roebling Sons Company and the Harvard Business School.

In a very real sense, building and equipment prices are at bargain levels. It is demonstrably true that the architect, the designer, and the engineer have stimulated their ingenuities with an eye to conservation of depression revenues. The trouble in business is that the front office may block modernization by making a virtue of ignorance. Too often all it wants to know about improvements is that they cost money.

Where conversion through education is so plainly indicated, the showing of definite savings is the first aid to effective evangelism. Modernization writes its own golden text—it pays back the man who pays for it.

# Things Talked about in Wall Street

By a Staff Writer of NATION'S BUSINESS

NEW YORK, MARCH 8

## Panic in New York

THE banking district faces this week one of the major crises of its history without two of its veteran leaders, Albert H. Wiggin of the Chase and Charles E. Mitchell of the National City. Of the group who went to Washington for last Sunday's conference, George W. Davison, president of the Central Hanover, is credited with being the author of the scrip plan which functioned in New York in 1907. He was then a young lawyer of 35. The elder J. P. Morgan was then the dominating figure in Wall Street. In the Washington conference his firm was represented by 40-year-old S. Parker Gilbert.

## Making money in depression

STORIES of 1907 were revived by scrip talk and the hoarding of currency.

Said a Wall Street reporter of long experience:

"About the smartest man I knew then was my old city editor. He was a Yankee-like man, single and saving, who lived modestly and had a bit of money. Among other things he had about the limit on deposit in one of the savings banks.

"We knew but couldn't publish until a fixed release date that the savings banks were going to enforce the rule requiring a 60 day notice of withdrawal. So my friend popped into his bank the next morning, withdrew his savings in cash, trotted down to Wall Street and sold his currency at a premium, getting a certified check in payment.

"Then he took his check to a bond house and bought bonds which were in a bad slump.

"In a comparatively short time his bonds were up a lot and he made a substantial profit. That chap retired when he was younger than I am and had enough to live on too."

## On starting bank runs

A BANK is a sensitive thing. Recalling 1907, a veteran financial reporter said:

"We had a hot summer that year—or was it in 1908—anyway the situation was still ticklish, and I remember the head of one big bank saying to me: 'I live in deadly terror that a horse will die in front of my bank. The crowd that would gather would be about enough to start people thinking there was a run on the bank and then there would be a run.'"

Which led a younger listener to say:

"I know a Mid-West bank in front of which has stood for 30 years a news vendor. He's a sort of protégé of the bank, a cripple and subject to occasional epileptic fits.

"He had a fit the other day and I'll bet it wasn't three minutes before they had him through the bank, out the back door into an ambulance and on the way to the hospital. They didn't want any crowd at the door."

## Tackling a big job

NOT all bankers are conservative in their ideas for depression relief. Here's the plan one outlined to me:

"The trouble with us is that we've been going at things a little at a time and the whole effect has been nil. We've got to tackle the job as we did the war. Let's put an unemployment board like a draft board in every Congressional District. Find or even make work. Let the unemployed at it. Pay 'em $4 a day for three days a week for single men and four days for married men. That money'd find its way into spending and you'd see factories opening.

"Where'd we get the money? The Government's credit is still good. We might have to spend $100,000,000 a week but that wouldn't last very many weeks. Men would be finding rather than losing regular employment.

"But," he added, "I shouldn't care to be quoted. Some of my associates might think I wasn't quite safe and sane."

## Resenting inaugural address

WHILE Wall Street comment on the inaugural address was outwardly approving there was in quiet corners some resentment at President Roosevelt's reference to bankers.

"Unscrupulous money changers," "indicted in the courts of public opinion," who have "fled from their high seats in the temple of our civilization"—phrases like those didn't please the banking community.

## We may have worse laws

ONE danger in the present situation is that unwise and hurried banking legislation may result. It may be that neither the congressional nor the public mind is in a temper to think calmly and to discuss logically new laws affecting banks. There is certain to be pressure for guarantee of bank deposits, a project which has been a failure in the past when tried by the states and which will find strong opposition from bankers and business.

## New types of bank account

TALKING with a man of wide experience in the world of banking, I put to him this question:

"Is this a foolish suggestion that in the future we shall see banking take this form: that a depositor may take say $10,000 to his bank and deposit it in two ways—$2,000 in his checking account to be kept absolutely liquid and for handling which he should pay a small charge. The remaining $8,000 to go into an investment account, which could not be withdrawn before a stated time and would bear interest."

This banker's answer was:

"I couldn't, of course, even guess that things would work out in that way, although I don't consider the suggestion foolish. I think it quite likely that we shall see some change in the contractual relation of the bank and the depositor. Very possible, too, is further separation of commercial investment and savings banking. Perhaps we shall see a further effort to make one national banking system under federal control."

## Secretary Woodin

THOUGH not a Wall Street man, William S. Woodin has spent the bulk of his mature business life within a stone's throw of the Stock Exchange and the best known commercial banks. He has been closely affiliated in business and industrial matters with Wall Street's leaders and, though small of stature, he un-

doubtedly measures up mentally and intellectually with the best of them.

Woodin may, therefore, be said to be the Wall Street representative in the Roosevelt Cabinet, and certainly Wall Street has never had any misgivings as to his stand on such important matters as sound money and the gold basis. With respect to war debts, tariff and taxes, there is ample ground for a wide difference of opinion since, in the Wall Street district itself, no one can predict with any certainty just how such matters may be regarded at any particular time. The financial district is not lacking in ardent advocates of war debt cancellation, while other representative leaders of finance maintain that Europe has fallen down disgracefully on her engagements and needs more than anything a stiffening of her moral spine.

## Ambidextrous bankers

WHEN a banker is seen taking a train to Washington these days no one knows whether he's going before the Senate Banking Currency Committee and be asked to make a public confession, or before the Senate Finance Committee and tell the world and the Government how to run their affairs.

Sometimes the same man is expected to do both.

# Does Thrift Really Pay?

HERE'S *a copy of a letter written the other day by a father to his son in college. How does it strike you? Read it and, if you agree with the father, tear it out and mail the letter to your congressman.*

MY DEAR SON:

In your last letter you said you were keeping expenses down and expected to finish up in June with a slight surplus. You might, you said, buy a second hand car from a departing senior, if I didn't get preachy and tell you to put the money in your savings account.

A few years ago I'd have voted for the savings account right off. All your life I've been telling you that, while money wasn't the only thing in life, it was a mighty good thing to have. I've always felt that it was possible to be happy without being rich, but that it made for peace of mind to have something laid away for your old age.

Since you were a small boy I've tried to teach you to save a little, "to keep a bit ahead of the game." You weren't very big when I got you a savings bank and taught you to put an occasional penny in it.

I remember once how you hollered when you dropped in a particularly new and shiny cent and it dawned on you that you couldn't get it back.

When you were big enough to have an allowance I urged you to open your own savings bank account and put away a little from time to time.

### Discouraged at banks

BUT now I'm not so sure. I'm feeling a good deal the way you did when you figured you couldn't get back your shiny cent.

If you have got this far in this letter you're probably asking yourself, "What's come over the old man? Has he gone nuts?" (Maybe "old man" and "gone nuts" aren't the right phrases. I can't keep track of current slang.)

The fact is that I've always practiced what I preached. I've always saved a little, always had an eye on "the rainy day" and all that, and now I'm wondering if I didn't make a mistake.

### Only small investments

I HAVEN'T any "investments" in any important sense of the word. I've never made more than two or three purchases that could be called speculative, and in every one of 'em I've been so scared that I've run out as soon as I saw a small profit or a small loss.

In fact I've just been a small time saver and what's happened?

Well, I've always kept some money in a savings account, not a lot but a few hundred dollars, and now I'm told that I can only draw out a little of it at a time and that it'll be a long time between draws. Why? Well, I don't quite know but I suppose it's because some other man who borrowed my money won't pay or more likely just *can't* pay. Anyway I seem to be the goat and I did without a lot of things to keep that money where I could get it when I needed it.

Then I've got some money in a Building and Loan. I always thought that was a good safe place. I didn't expect to take any money out on slight provocation.

I planned to keep it there and after a while cash in, but I figured I could get it if I needed it. Now the papers are full of plans to help the fellow who borrowed money to buy a home. I'm sorry for him. It's hard to lose out on a house. But how about the fellow who loaned the money? It's just as hard for him to lose.

When I was a little ahead of the game

# *AN INVITATION*

★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

## To the Business Men of America:

YOU are invited to attend the *Twenty-first Annual Meeting* of the Chamber of Commerce of the United States, which will be held in Washington, *May 3 to 5, 1933.*

This year's meeting comes at a time when the country is beset with economic difficulties. Business, buffeted through more than three years of world-wide economic depression, still faces a future of uncertainty. The government itself struggles with problems which must be solved if the difficulties that check our economic advance are to be overcome. With sound solutions the country can look forward to a new period of progress.

The President of the United States has accepted an invitation to address the meeting, subject of course to the usual qualifications as to intervening public demands on his time.

Upon the country's business organizations rests the responsibility of identifying the forces which prevent recovery and of advancing measures to correct them. The opportunity is given in the Chamber's annual meeting, which will bring together the representatives of chambers of commerce and trade associations of the country.

The immediate problems will be presented by outstanding speakers and will be made subject for general discussion by those attending the meeting.

Out of the meeting will come recommendations representing the unified viewpoint of our business interests as to emergency and long-range courses that should be taken.

H I Harriman

PRESIDENT
*Chamber of Commerce of the United States*

WASHINGTON, D. C.
*March* 30, 1933

a few years ago I bought $5,000 worth of bonds of the city we live in. It seemed a good safe thing to do. Not a very high rate of interest, of course, but safe! Sure, nothing could be safer. I knew the folks who lived here and, all in all, they were a pretty fine lot and I always kind of figured I was lending to them. Now I read in the paper that Congress is putting through a bill authorizing cities to put off for ten years payment of interest or principal.

Maybe I'd have done better to buy a new automobile with part of that $5,000. I've driven the old Ford a good many miles.

### Paid off the mortgage

I DON'T know much about farming. My father was a farmer but he turned the farm over to your Uncle John to run for him and came to live in the city about the time I was old enough to go to High School.

When he died, I was settled in the city and John took the farm and your Aunt and I had a mortgage for our share of it.

John paid it off, bit by bit, and I put that money by. Since then he's managed to keep pretty well out of debt, he tells me. That's about all I know of farm mortgages, but I do have policies in three life insurance companies, and I suppose those companies have loaned money on farms.

Most insurance companies do. Now I see that Congress is monkeying with a bill to suspend all farm foreclosures for two years. My policies don't seem so good as they once did. Maybe I'll have to pay higher premiums. Maybe the annual dividend which helps pay the premiums will be cut.

It isn't so easy paying premiums and I sort of counted on those dividends. I'm not getting any younger and, as you know, my salary has been cut and may be again.

### Should have spent more

I USED to wish I had a little more life insurance. I'm not so sure now. Maybe I ought to have taken that trip to Europe your Mother and I talked about so many years.

I guess I've written too much, son, but I had to tell you how I felt. I'm like a man that kept the umbrella ready for a rainy day and then when it rained the umbrella had rusted out.

Sometimes I think the real "forgotten man" in all this is the man who tried to pay his bills and save his money.

But I guess it'll straighten itself out. Perhaps after all you'd better not buy the car and put the money in the bank. You're kind of young to be running a car and a little money might be handy when you're just out of college.

Yours,
Dad

# *Index of* ADVERTISERS

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*This is one of a series of editorials written by leading advertising men on the general subject of advertising*

## *Tomorrow's* Successes need *Today's* Promotion

WHEN Winston Churchill said in 1924: "The whole consuming power, in any considerable period of time, is the central test fact in the economic mass life of any nation," he spoke of business from the astute wisdom of a historian.

Today there are other Winston Churchills in American business who are wisely viewing a "considerable period of time" rather than indulging in a mere close-up. Several years from now, when we look back, we will applaud these men, envy them, because of their cool understanding of basic facts.

Likewise, tomorrow's successes in products are inevitable. They will not have been spectacular, backed by plungers who try to "turn advertising on and off like water from a faucet," as Francis H. Sisson says, "and expect it to be effective." But unquestionably they will be products advertised as consistently in the lean years as in the fat. Since advertising is so irrevocably an integral part of consumption, the long-haul must be the guiding policy, and pulmotor treatments must be recognized as expedients.

As an economic force, planned advertising continues to prove itself a vital factor in Winston Churchill's analysis of consumption. When the turn comes, wise strategists will profit handsomely from their victories made during the depression and it is equally destined that unusual credit will be given to sound, persistent advertising.

MARK O'DEA, *President*
Mark O'Dea & Company